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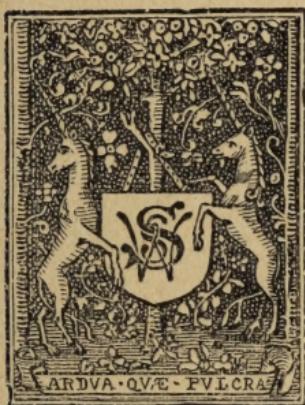
COMMERCIAL FEDERATION AND COLONIAL
TRADE POLICY.

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COMMERCIAL FEDERATION AND COLONIAL TRADE POLICY.

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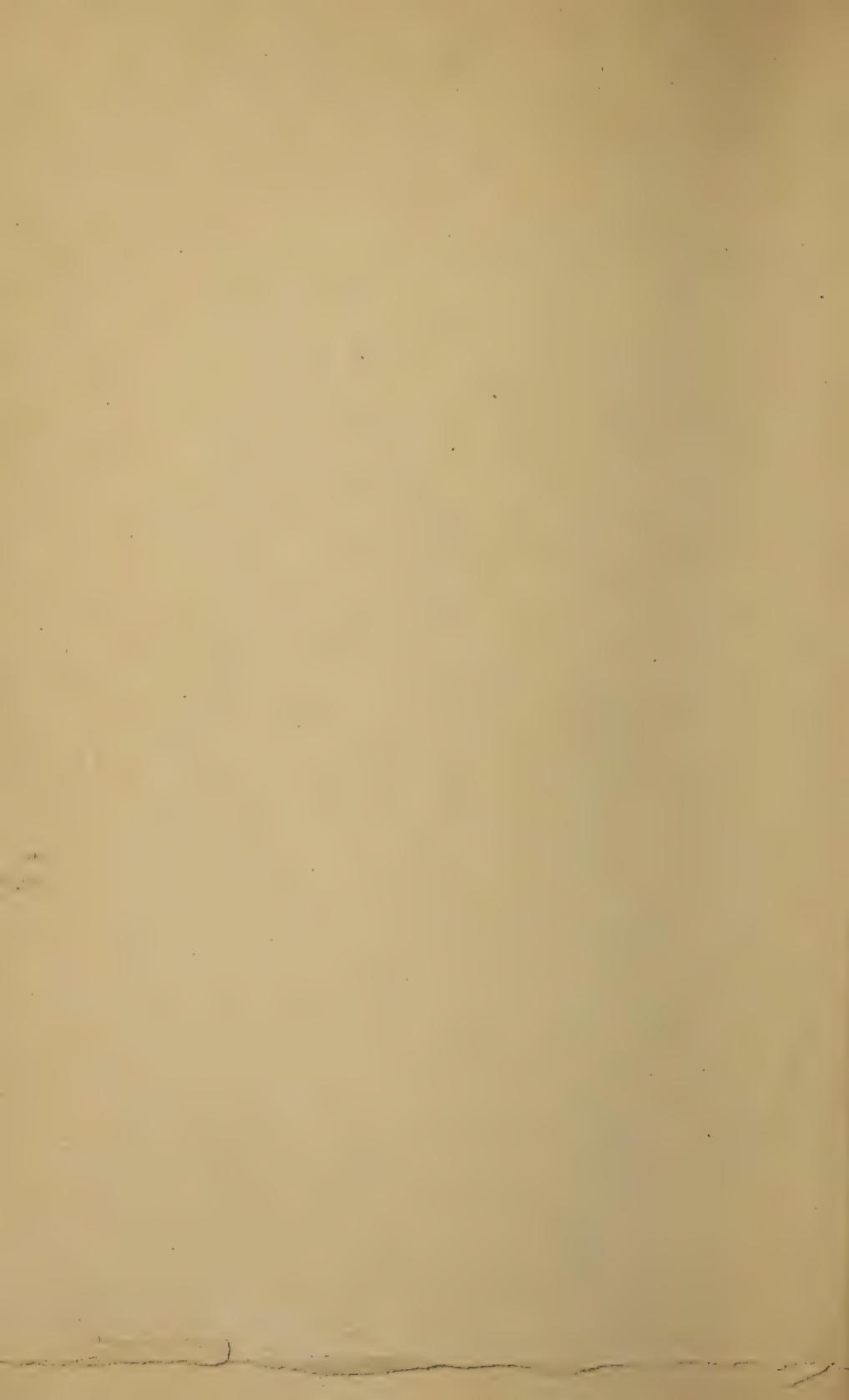
P R E F A C E.

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J.D.

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CHAPTER I.

ENGLAND'S COMMERCIAL POLICY TOWARDS HER COLONIES SINCE THE TREATY OF PARIS.

I. THE CHANGES IN ENGLAND'S POLICY.

IT is not astonishing that the Abbé Raynal should have accused "that wise and honest traveller," Arthur Young, of paradox, when Young asserted, within a few years of the signing of the Treaty of Paris, that the American Revolution "had proved a blessing to the world, but much more so to England than to America"; for by all the canons of the mercantile system England should have been ruined by that event. As Adam Smith had pointed out, before the war began English merchants anticipated ruin; and France considered that she had triumphed over her victorious rival when the independence of the revolting colonies was recognized. England, as Adam Smith shows at such tedious length, had sacrificed her European to her colonial trade, of which she claimed the monopoly; and the Treaty of Paris destroyed that monopoly on which she had apparently come to depend for her prosperity. Yet England was not ruined; and it was indeed, as Arthur Young wrote,

one of the most remarkable and singular experiments in the science of politics that the world has seen; for a people to lose an empire—thirteen provinces—and to GAIN by that *loss* an increase of wealth, felicity and power!¹

¹Travels in France (Miss Betham-Edward's edition), page 261. The capitals and italics are Young's.

The United States were free to buy and to sell where they chose, and they could manufacture where and when and what they pleased ; for the whole system of regulations had disappeared. But the United States continued to be a customer of England, and bought more, not less, than she had done under the colonial system of monopoly. The volume of trade doubled within fifteen years of the signing of the Treaty of Paris ; and what should have proved England's ruin proved her great gain, as the figures of trade show :¹

| YEAR. | EXPORTS TO STATES. | IMPORTS FROM STATES. |
|-----------------------------------|--------------------|----------------------|
| 1771-73, average of 3 years . . . | £3,064,843 | £1,322,532 |
| 1790-92, " " . . . | 3,976,211 | 1,141,337 |
| 1798-1800, " " . . . | 6,507,478 | 1,986,528 |

Evidently the mother country had gained nothing but disadvantage from the regulations which had cost her an empire ; for in losing subjects she did not lose customers, and indeed gained more than the benefits of the monopoly without having the trouble and the anxiety of securing it. Adam Smith's doctrines were vindicated by the event almost as soon, therefore, as they were propounded. The advantages of colonial trade, he had declared, were immense ; so great, indeed, that they had not been offset by the baneful effects of the short-sighted policy which had been adopted. When the monopoly was destroyed, the benefits were almost instantly doubled.

Some of the lessons, so forcibly illustrated, were quickly learned, and the name of Adam Smith became a power in the land. Statesmen enrolled themselves as his disciples, and the first fruits of a new policy of encouraging rather than of discouraging trade were garnered in 1785, in Eden's commercial treaty. Indeed, had it not been for the French Revolution and the Napoleonic wars, the period of free trade in England might have been anticipated by half a century. The

¹ Brougham : Colonial Policy, vol. i, pp. 262-263.

whole machinery of English administration had been used to secure a result which was twice as well secured when the machinery was thrown aside. In the light of history, at any rate, it was evident that regulations were not commerce.

Naturally the whole lesson of "the late unhappy events in America," as Pitt called them, was not learned at once, nor by all. Some speakers and writers tried to show that the whole policy had favored the colonies, and that England was well quit of it; but these are obviously reflections of the sour-grape order. The patent fact was that the mercantile colonial policy had been found wanting. It had aimed at creating a nation of customers; and the customers were found to buy more after the destruction of the system. "The only use of the American colonies," maintained Lord Sheffield on the eve of the Revolution, "is the monopoly of their consumption." It is no wonder, therefore, that many were of Arthur Young's opinion, "that all transmarine or distant dominions are sources of weakness, and that to renounce them would be wisdom; "¹ and when we denounce the Little Englanders for regarding colonies as possible customers only, we ought to remember that the colonial system, the revolt from which they expressed, was based upon the same idea. To raise up a nation of customers may not be a noble ideal for a colonial empire; but it is at least better, to say nothing of the fact of its being more profitable, that the custom should be voluntary.

The industrial conditions of England at the end of the eighteenth century were favorable to the growth of the new conception of trade.² England, which for centuries had been one of the backward countries of Europe, had in the eighteenth century come to the front. Her natural resources,

¹ Travels in France, p. 262.

² It is a remarkable fact that the beginnings of the United States colonial power should coincide with a general recognition that the nation has outgrown its own home market and is strong enough to hold its own in the world's markets.

her advantageous position and her immunity from foreign invasion at last began to tell ; and it was no mere accident of the birthplace of a few inventors that the factory system first developed in England. When the colonies revolted the industrial revolution was well under way, and England had no industrial competitor that was at all formidable. The idea of relative power had no importance when it was already " Eclipse first and the rest nowhere " ; and the Napoleonic wars gave England a start of half a century. At the end of the eighteenth century she had practically no rivals in trade or in industry. She secured the trade of the colonies and of the United States, because she could sell more cheaply than any other nation. If the revolt had occurred half a century earlier, it is not likely that the truth of Adam Smith's polemic would have been so strikingly vindicated. England then had competitors ; and though the trade of the revolted colonies might have greatly increased, it is not at all certain that she would have engrossed it. If we can say, converting Bacon's unhistorical praise of Henry VII., that Adam Smith bent back English policy from considerations of power to considerations of plenty, we must also recognise that his immediate influence was due to the fact that considerations of power had no longer for England any importance. She was secure of the market not only of her surviving colonies but also of the United States, as she was later secure against the Milan and Berlin decrees and the Non-Intercourse Act, because she had a practical monopoly of the new industrial processes. As she became conscious of her advantage, she came to depend more and more on her natural strength and less and less on the artifices of legislation. Restriction and monopoly were seen to be artificial hindrances to trade. The great instance of the benefits of freedom was constantly before her eyes, and it was recognised that the old regulations had done harm to both parties and good to neither. The mono-

poly of a colonial market was a matter of no consequence when the world's market was open; and she held both because she could produce better and cheaper than any other nation.

The revolt of the American colonies discredited the old commercial policy of restriction; but it also upset the old policy of political freedom. The surviving continental colonies had never been accustomed to free government. Nova Scotia had from the first been controlled by the home government, and the conquered colonies which had been retained at the peace of 1763 were naturally under absolute rule. These colonies had remained loyal while the free colonies had revolted; and it seemed a just inference that the greater political freedom had been the cause of the revolt. As the English government had no desire to lose the rest of the colonies, it appeared the part of political wisdom to reverse the former policy and adopt a system of supervision of the internal affairs of the colonies. Politically the colonies were no longer to be treated "with salutary neglect." They were to be watched, that the first signs of discontent might be crushed and a repetition of the American disaster prevented. The object of colonial political policy was to isolate and weaken the colonies so as to render them less formidable; and as English statesmen had made a maxim out of Peter Kalm's casual observation about the deterrent influence of the presence of the French in Canada, they determined to perpetuate the deterrent influence. Pitt declared that his object in bringing forward the ~~Quebec~~^{Canada} Bill in 1791 was "to create two colonies separate from and jealous of each other, so as to guard against a repetition of the late unhappy rebellion which had separated the thirteen colonies from the Empire."¹ Fox, indeed, asserted that the only method of retaining distant colonies was to enable them to govern them-

¹ Annual Register, 1791, page 108.

selves ; but as the revolted colonies had possessed the right of self-government, his protests were unheeded, and Canada was saddled with a reactionary constitution. The change in political policy is significantly indicated by the change in the method of administration. As long as commercial restrictions alone were enforced, and there was no interference with the internal affairs of the colonies, a board of trade and plantations was sufficient ; after the change in policy, a colonial minister, a member of the cabinet, was appointed, to whom alone the governments of the colonies were responsible, and the administration of the domestic affairs of the colonies had to be in accordance with the ideas of the ministry. The English Parliament indeed bound itself not to impose any taxes on the colonies¹ except those necessary for the regulation of commerce, and declared that these should be levied and disposed of by the legislature of each province ; but the freedom was illusory. These were the Crown duties, which were the great cause of political discontent in the colonies in the early decades of this century. They might be levied for purely commercial purposes, but they were never really at the disposal of the colonial legislatures.²

This new political policy evoked a continuous protest from the English reformers. The existence of democratic government in the American colonies had favoured the growth of freedom at home ; and now those who sought reform at home were forced to become advocates of colonial reform. Their

¹ Quebec Revenue Act, 1775. Colonial Tax Repeal Act, 1778 : "Whereas taxation by the Parliament of Great Britain, for the purpose of raising a revenue in his Majesty's Colonies, . . . has been found by experience to occasion great uneasiness and disorders among his Majesty's faithful subjects . . . ; and whereas in order . . . to remove the said uneasiness . . . it is expedient to declare that the King and Parliament of Great Britain will not impose any duty, tax or assessment for the purpose of raising a revenue in any of the Colonies . . . "

² As late as 1833 these Crown duties by various devices were in a large measure appropriated for imperial purposes without the consent or the knowledge of the colonial legislatures. See Hannay, Life of Sir Leonard Tilley, page 91.

desire for colonial freedom was not entirely disinterested, for they found that the patronage which the home government controlled in the colonies was one of the principal causes of corruption in England. To abolish this colonial patronage was to weaken the government at home; and the struggle for colonial constitutional government was part of the general struggle for political freedom. From the time of Fox onwards, there is a continuous protest against the tyranny of the political system in the colonies; and the protest was the more vigorous, because the system seemed to exist solely for the benefit of the place-hunters.

This change in England's political policy, combined with the new knowledge of the disadvantages of monopoly, gave a certain vogue to the Greek ideal of a colony, which had been revived by the French economists who had inspired Adam Smith. In 1750 Turgot had declared that

colonies are like fruits which cling to the tree till they ripen. Carthage declared itself free as soon as it could take care of itself; so likewise will America.

And Adam Smith does not stand alone among English writers in his criticism of colonial policy. Earlier in the eighteenth century another Glasgow professor had propounded to himself the question, "When have colonies a right to be released from the dominion of the parent state?" and had answered: "Whenever they are so increased in numbers and strength as to be sufficient by themselves for all the good ends of a political union."¹ The French Revolution at first tended to strengthen this view; but when the long war broke out, national sentiment was stirred, and the idea of liberating the colonies was relegated to the background. The maintenance

¹ Hutcheson, *Ethics*. Cf. Roscher, *Kolonien*, page 227, note, for further references to these early Little Englanders, Josiah Tucker, Townsend and Arthur Young. Cf. Lecky's statement of Tucker's views, *History of England*, vol. iii, page 389.

of all possessions—even of those that were commercially worthless—became a national necessity. Adam Smith had said :

No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue it afforded in proportion to the expense it occasioned. Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation.¹

It would have been especially mortifying either to lose or to set loose any colony during a time of national danger. Moreover, in time of war the continental American colonies were valuable commercially, not only because of what they bought but because of what they supplied. They saved England from dependence for naval stores on the Baltic countries, which were exposed to the influence and the attacks of England's enemies.

The general effect of the French Revolution and of the French wars was to throw back the cause of reform. They prevented Pitt from reforming the English tariff ; they made the government chary about allowing free speech ; and they fastened the new political system more firmly upon the colonies. The only advantage which this reactionary policy brought to the colonies was that it made the ultimate triumph of constitutional liberty in the colonies more complete, for it enlisted on their behalf the energies of the political reformers at home.

The English administration was not foolish enough to believe that they could govern the colonies on purely restrictive principles. Their object was to hold the colonies ; and it was obvious that the American colonies were lost, not merely by allowing them political freedom, but also by not making commercial concessions to them. So the new colonial

¹ Adam Smith, *Wealth of Nations* (Nicholson's edition), page 254.

policy granted commercial concessions to the colonies, in order to create a class whose interests should be bound up in the maintenance of the political system. Commercial restrictions were made less rigid and burdensome; and the system of bounties, which had been in part adopted before the War of Independence, was extended. It is a moot-point whether the further privileges in the shape of preferential trade were adopted for the sake of England or for the sake of the colonies; but there is no doubt that they operated to stimulate the industries of the colonies. For Canada they were the cause of a great industrial advance. Previously much of the enterprise of the country had been confined to the fur trade with the Northwest; but from this time the preference to colonial lumber made the lumber industry profitable and practically created the colony of New Brunswick.

In this new development of colonial policy Canada is the centre of interest. The home government apparently was convinced that Canada was the key to the position.¹ They feared its loss, partly because of its proximity to the United States, partly on account of the origin of its people; and they especially desired to keep it because it was the great source of their naval supplies. For these reasons the most abundant concessions were made to Canada. Before the Revolution the West Indian colonies had been favored, and the burdens of the restrictive policy were mainly felt in the northern continental colonies. But after the Revolution the West Indies were sacrificed to Canada and the other continental colonies. During the ante-Revolution period the islands had drawn their supplies from the continental colonies, and had also found there an exclusive market for their sugar and rum. Their climate was not suited for the growth of provisions;

¹ Haliburton, Bubbles of Canada, page 13. "Canada has had more privileges and indulgences granted to it than any other of our American colonies, . . . and the interests of commerce and of persons of British origin [have been] postponed to suit their convenience or to accommodate their prejudices."

and these, with lumber and slaves, had been imported from the north. When, however, the American colonies became the United States, the Navigation Acts operated to shut the British West Indies out from their natural market. They were confined to the Canadian market. Lumber and fish they might have received thence in sufficient quantity; but the northern colonies did not always produce sufficient provisions for their own needs. From 1779 to 1782 the export of grain from Canada was prohibited; and the maritime colonies, which had been excluded from the operation of Jay's Treaty so far as free intercourse was concerned, had from time to time to be saved from actual want through the suspension, by governor's proclamation, of the restrictions on the importation of food-stuffs.¹ The result of restriction to the Canadian market was frequent and terrible suffering in the island colonies. The planters were forced to grow provisions for which the soil was not suited, and the colonies were constantly in sight of famine. Between the years 1780 and 1787 there was an unusual succession of hurricanes, which destroyed all the provision crops and occasioned great scarcity. Fifteen thousand negroes perished in seven years in Jamaica alone. The West Indian colonists demanded that the continental market should again be thrown open to them; and by the treaty of 1794, American vessels not exceeding seventy tons burden were allowed to trade with the islands. But the concession was hedged about by so many restrictions that the planters had to import American provisions *via* Montreal, to which by the same treaty free importation by land from the United States had been permitted. This roundabout trade did not supply the necessary relief, and under the treaty the direct trade was to cease two years after the establishment of peace in Europe. Accordingly, in defiance of both the spirit

¹ By the beginning of the century these proclamations were so frequent that free importation was practically continuous. Cf. *New Brunswick Royal Gazette, passim*. Cf. also Roscher, *Kolonien*, page 240.

and the letter of the Navigation Laws, the governors of the West Indian colonies issued proclamations permitting free importation from the United States. Since the continental colonies could not supply the demand, and since, even if they had been able, the navy could not have provided the necessary convoys, the governors were forced to suspend the restrictions, relying upon subsequent indemnification. In 1806, when Imperial Parliament sought to regularize these proceedings by a formal act permitting freer importation, the imports into the West Indies from England and her other colonies were less than one-third of the whole, while British North America did not contribute one-twelfth of the supply.¹ But with every concession made then and later, the West Indian colonies continued to suffer. Even after Huskisson had reformed the Navigation Laws it was estimated, in 1831, that the colonial policy compelled the Antilles alone to pay for provisions £187,000 per annum more than they would have paid had trade been free to follow its natural course. The continental colonies simply could not supply the islands; yet the home government seemed to turn a deaf ear to the protests of the planters. The necessity of the situation appeared to be to conciliate Canada and the neighbouring colonies; and the home government was confident of its ability to hold the islands, whatever threats of disloyalty came from the planters.

This preference was given to the northern colonies at the expense of the islands; but a preference was given to both at the expense of the English consumer. There was nominally a

¹ According to a return made to the House of Commons, February 15, 1808, the following were the percentages of imports into the West Indies and the South American colonies from the United States:

| PER CENT. | PER CENT. | PER CENT. |
|--------------------|-------------------|------------------------|
| Grain 65 | Dry fish 54 | Oak and pine boards 97 |
| Bread and flour 91 | Pickled fish 32 | Shingles 99 |
| Rice 98 | Cows and oxen 80 | Staves 96 |
| Beef and pork 49 | Sheep and hogs 90 | |

reciprocal advantage for England, or at least for the English producer; but it was little more than nominal, for England then had a practically unqualified monopoly of manufacturing. English trade and industry were safe from the feeble competition of belated continental methods; and moreover Europe was devastated by war in every corner. Every nation had to go to England for manufactures; and it is said that the soldiers of Napoleon marched to Moscow clad in English cloth, imported in defiance of the Berlin and Milan decrees. Thus the colonies, though they were by regulations restricted to the English market, were compelled to do only what they would otherwise have done—to buy in the cheapest market. Gain to England there was none, and the disadvantage to the colonies was mainly sentimental. Dr. Parkin claims that this system was mutually advantageous.¹ Politically advantageous to England it may have been; but commercially it was unnecessary and therefore disadvantageous to England, while the colonies had all the advantage on their side.

It must be remembered, however, that this preference was given to the colonies largely as a compensation for political restraint. It is necessary to bear this in mind because, as the political restraints were removed and the colonies obtained responsible government, the reformers in England came to regard the sacrifice of the English consumer with abhorrence. The commercial preference in the English market survived the system of political restraint; the burden survived the reason for it; and the reformers who had been most active in securing political freedom for the colonies became the Little Englanders at whom it is now the fashion to lift up our reproach. It is on the whole well that nations forget the things which are behind and retain no sense of gratitude for favors past; but none the less the self-governing colonies owe an immense debt of gratitude to the Little Englanders and

¹ Parkin, *Imperial Federation*, c. 13.

the reform ideas they represented. Without their help, in Parliament and out of it, the struggle for responsible government would have been longer in reaching a successful issue. It is not wonderful that in their agitation against the preferential system they should have been betrayed into expressions intimating the worthlessness of all colonies. The old notion that a colony must be of some use to the mother country was gradually dying out, and nothing had come to take its place. For the moment the Greek idea of a colony was popular; and when the colonies were found to be making the continuance of the preferential duties a condition of their loyalty, it was not unnatural that men should ask what advantages the colonies conferred upon England. Had the colonies appealed to something higher than commercial interests, English pulses might have quickened to the glories of a colonial empire. The colonies, however, no less than the mother country, looked at the question from the point of view of trade and commerce merely; and if there were Little Englanders at home, there were annexationists in the colonies.

The truth of the matter was that the Little Englanders were simply asserting in their extreme way that in any sound colonial policy even a mother country had rights. In the eighteenth century England lost her American colonies because she insisted on taxing them; but there have been times during the present century when it seemed as if the other half of the epigram might be true—that she would lose the remainder of her colonies because she would not allow them to tax her. The right of the mother country to control her own affairs is the idea for which the Little Englanders stood. They objected, first of all, to the political system which necessitated preferences; secondly, to the continuance of the preferences after that political system had practically come to an end; and, thirdly, to a state of affairs in which the preference to English goods was largely nominal, while the burden of the

colonial preference was very real.¹ They perceived, moreover, that, in the discussion of trade policy, considerations which they regarded as extraneous were drawn from the colonial interests, and that these interests, with the Corn Laws, constituted the chief bulwark of the protectionist system. The triumph of free trade may be said to have been the triumph of Little Englandism ; but the Little Englanders of the middle of the century were not a section of the nation but the whole nation. It was not merely the free traders but the opponents of free trade, like Disraeli, who used the language the colonies came to resent so bitterly. Little Englandism was a phase of political thought ; and luckily it is now a past phase. But it marked a great advance in the conception of a colonial policy. It is readily enough admitted that it represented an advance in political policy, for to it the colonies owe responsible government. But it was also an advance in commercial policy. A system which makes one part of an empire suffer to benefit another can never be regarded as an ideal. Reciprocity in disadvantage is not a sound system. The colonial preferences did a great deal to create in England a dislike for the colonies. The English consumer undoubtedly suffered heavily by them ; and thus there arose a powerful party demanding the abolition of these preferences, and prone in the heat of argument to denounce a connection which made such sacrifices necessary. The great obstacle to imperial federation during the last quarter of a century has been the impression in England that the colonies would make their assent to the scheme conditional on the granting of preferences to colonial goods in the English market. The Canadian preferential tariff of 1897 removed this impression, and

¹ It was estimated in the Report of the Committee on Import Duties, 1840, that the colonial preference in the English market cost the English consumer from £5,000,000 to £8,500,000 a year ; and the supposed compensation through the operation of the Navigation Laws was contemptuously set aside by McCulloch with the remark that the English public had to consume bad lumber in order to employ bad ships.

thus marks a definite stage in the evolution of a colonial policy.

The triumph of free trade was not the end of the old colonial policy, but it was the beginning of the end. The English government removed the restrictions and granted free trade to the colonies. They were left free to buy and to sell where they chose; but at first they were not left entirely to their own devices. The repeal of the Navigation Laws marks the triumph of free trade, but not the triumph of freedom. The colonies were granted freedom from restrictions on their trade, but they were not granted freedom of choice. Indeed, we may doubt whether, if the English government had foreseen the use to which they would put their freedom, it would have been as generous and confiding as it was. The removal of the restrictions might have been made conditional. All England, however, was absorbed in the idea of free trade triumphant. Cobden's prophecy, which we all remember and for which every little man despises him, was but one expression of the prevalent opinion. Other nations must be left to be convinced by the logic of events: the conversion of the colonies England proposed herself to take or keep in hand. She had of her own free will removed from their trade the restrictions she herself had imposed, but she did not regard them as emancipated from her authority. When they erred from the free-trade path of rectitude, she chid them, not always gently, and sometimes with unnecessary vehemence.

After 1850 England no longer showed herself anxious for colonial reform. Before the free-trade era she had almost forced commercial reform upon the colonies: she had insisted upon the removal of the restrictions upon their trade. The interests affected by the restrictions were few, and the great majority of the population of the colonies were indifferent to them. The colonists agitated for responsible government, and they fought to maintain their preferences in the English

market or to increase them ; but they troubled themselves little about the restrictions. But after the triumph of free trade, the reforms came as the result of colonial demands. When England granted the colonies control of their own affairs, she granted them, as they claimed, the right to regulate their tariffs according to their own ideas. They were willing to accept the freedom from restrictions, but they were not converted to free trade. They used their freedom to establish protection for their own industries ; and though England first rebuked and then protested, in the end they had their own way, and England somewhat sullenly acquiesced. The colonies based each new demand upon the principle of responsible government ; and English statesmen slowly recognized that the freedom of choice which had been granted to the colonies involved freedom to choose the evil as well as the good. Where responsible government has not been granted, the colony or dependency has not yet the power to frame its own tariff according to its own ideas. The Crown colonies are free traders because England is a free trader. When India ventured to impose on manufactured cotton a tax which was probably in effect protective, there was a violent protest from Lancashire ; and when the government changed, the permission which had been granted by a former secretary was withdrawn. The old spirit is still there ; and had it not been for the grant of responsible government, which the colonies owe to the Little Englanders, even what are now the self-governing colonies might not have been allowed to frame their own tariffs according to their own conceptions of their needs. As it is, they have step by step achieved complete freedom ; and to-day their commercial policy is admitted to be entirely their own affair.

II. EFFECT UPON THE COLONIES.

The changes in the commercial policy of England towards

ner colonies after the War of Independence have been traced from the point of view of English administration ; it remains now to describe the effect of these changes on the colonies. The system of restrictions died hard. It had taken more than a century to grow to maturity, 1650—1775 ; and it took almost exactly the same length of time to disappear, 1775—1897. Fallacies which have been embodied in legislation are hard to uproot, because interests have been created whose prosperity depends on the continuance of the system. Although the colonial policy had been exposed by Adam Smith, and discredited by the unexpected commercial results of the independence of the revolted colonies, it was not at once abolished. Burke had explained the acquiescence of the American colonists in the old colonial policy, at least till 1764, by the fact that

the Act of Navigation attended the colonies from their infancy, grew with their growth and strengthened with their strength. They were confirmed in obedience to it even more by usage than by law. They scarcely remembered a time when they were not subject to such restraint ;¹

and the same psychological law may be used to explain why a part of the discredited system so long maintained itself. A few writers demanded its immediate abolition ; but at first it was merely modified and the changes came only as practical concessions to the exigencies of a war period. Each successive change was in turn denounced as a radical departure from a time-honored policy,² and the changes were almost wrung from the British government by the inexorable pressure of events. The concessions were therefore temporary in character and limited in application ; and the various statutory amendments merely gave legislative sanction to practices which had grown up outside the law. No system was observed

¹Speech on American Taxation, page 383.

²See *infra*, pp. 29-30.

in the policy pursued by the government, and necessity was the only law.¹ But when peace was restored, there came an opportunity to take wider views of things and to apply the lessons of experience. Then reforms came thick and fast and they were inspired by as definite a purpose as had been the enactments of the old colonial system which they were intended to destroy. By 1850—by 1826 according to Halliburton—the work of reform was practically complete. There remained but few restrictions on the trade of the colonies; and these were of a political character, and were afterwards removed for political reasons.

There were four stages in the passing of the old colonial system. At first particular concessions were made to the necessities of the colonies during the war period; and at intervals the sphere of their application was widened and sanctioned by imperial legislation. Then, after the peace, systematic reforms were carried out, culminating either in Huskisson's modification of the Navigation Laws in 1826 or in the final repeal of those laws in 1850. These reforms aroused little interest in the colonies, because the restrictions that were removed had caused no serious inconvenience. Then came, in the forties, the period during which, to the great indignation of the colonists, the colonial preferences in the English market were attacked and finally removed from the statute book. The last period is from 1850 onwards, when the remaining restrictions, which affected the political freedom rather than the commercial prosperity of the colonies, were removed as occasion demanded, after representations from the colonies and generally in opposition to the ideas and policy of the mother country.

The restrictive system cannot, on the whole, be said to have

²*Cf.* Merivale, *Lectures on Colonization*, preface, pp. v-vi. "During the continental war and for many subsequent years our colonial empire had been administered after no very regular pattern but in accordance with certain received usages."

orne hardly on the colonies after the War of Independence. They were restricted to the English market, it is true, but they would naturally have bought and sold there. So far as the interests of England were concerned, the criticism which Brougham passed on the regulations of the colonial system before the war may with more truth be applied to the regulations of the period under discussion.

The prohibitions or discouragements [he said] given to certain kinds of colonial industry have been rather superfluous than burdensome. They have generally been framed with a view to prevent that which was never likely to happen.

Or, as he said later, of the more purely trade regulations :

Here again the restrictive policy has only secured by a superfluous and harmless anxiety that arrangement which would of itself have taken place if things had been left to their natural course.¹

On the West Indies the system did bear hardly, but the advantage accrued to Canada and the continental colonies, and not to England ; and as early as 1794 Canada had reciprocity in inland trade with the United States. The complaints regarding the restrictions were few in number and were not the expression of wide discontent ; they were protests on the score that liberty, not prosperity, was denied. The great and obvious advantages of the compensating preferences reconciled the colonies to these restraints.²

The restrictive system, as it had been in operation before the war, consisted of three parts : the monopoly of colonial buying and selling ; the prohibition and discouragement of

¹ Brougham, *An Inquiry into the Colonial Policy, etc.*, vol. i, pp. 240-246.

² A British American League was founded in Montreal in 1850, in protest against the abandonment of colonial interests ; and at one of the meetings a speaker declared that he did not regret the change, because the trade policy of the mother country could not altogether harmonize with the interests of the colonies, though so long as reciprocal benefits were given it was tolerable.

colonial manufactures; and the Navigation Laws. There never was the slightest tendency in the colonies to develop manufactures which were likely to come into competition with English manufactures. The "line of employment," as Brougham pointed out, "most profitable to the inhabitants of all new settlements is . . . the raising of raw produce" and the effect of the whole system in Canada was to stimulate the raising of produce and the development of rudimentary manufacturing industries. In the West Indies, where the English settlements were older, the restriction upon manufacturing did damage the colonies. Upon the West India sugar plantations it was possible to refine or clay sugar economically, with but small addition to the machinery used for boiling cane juice; but this, in 1803, the planters were practically forbidden to do. In the interest of the English sugar refiners—who, according to Brougham, consisted of about fifty families, mainly foreigners—a duty on the exportation of refined sugar was imposed, which was practically prohibitive.¹ But the West Indies were not in favour during this period, and consequently little heed was paid to their protests.

The Navigation Laws, on the other hand, proved a great advantage to the colonies. The monopoly of the colonial market was no real hardship, because England was the natural market for colonial buying. The wars of the period made the colonists more than ever dependent on the home market; and though here and there some suffered, the suffering was individual. On the other hand, the monopoly of the produce of the colonies, combined as it was with preferential duties in the English market, was a great apparent benefit; and the destruction of the monopoly was a cause of discontent so

¹ *Op. et loc. cit.*

² *Ibid.*, vol. i, page 241. "The French Islands have always been free from this oppression, and owed a considerable share of their former prosperity to so eminent an advantage."

heat that it gave rise to disloyal mutterings, and sometimes loudly expressed threats of seeking annexation to the United States or, at least, independence. It is important, too, to remember that the purely restrictive part of the system was the first to be abolished; while the differential duties were maintained for fully twenty years longer. The memory of these restrictions had almost entirely faded before the differential duties were seriously reduced; and what the colonists meant by "the abandonment of the old trade principles

England under which she had flourished for centuries"¹ was the abolition of the part which benefited them. They naturally forgot that the greater part of the old colonial stem had disappeared without protest from them, and that the appeal to an established policy was futile when the reformers were demanding that the same privileges of unprejudiced importation as had been conferred on the colonists should be extended to the British consumer. In 1794, by Jay's Treaty, Canada had been granted the right to import from the United States; even the West Indies, in one round-about way or another, had acquired the right; and naturally the English consumer felt that he ought to have the same freedom. Sir Robert Peel declared on one occasion that the colonies should be treated as if they were counties in England; the reformers practically claimed that the counties in England should be granted the privilege, already held by the colonies, of buying in the cheapest markets.

The North American colonies that remained British had been subject, before the War of Independence, to the same restrictions as the colonies that revolted; but the restrictions had not occasioned the same annoyance. The industrial development of the Canadian colonies was not great; and the

¹ British American League Declaration (1850). Cf. Resolution moved by Mr. (now Senator) Wark in New Brunswick House of Assembly, March 18, 1850: "That British colonies, having been reared up under a commercial system by which the productions of the various parts of the Empire enjoyed national protection in their respective markets," etc.

pressure of the system could be felt only where there was some measure of industrial development. There was little need for restriction; and the comparative scarcity of regulations regarding Canadian commerce and industry indicates that even the government recognized the fact. In 1766 Lieutenant-Governor Francklin of Nova Scotia was directed to make report regarding the development of industries in the colony; and in a letter to the Earl of Shelburne he wrote:

I cannot omit representing to your Lordship on this occasion that this government has at no time given encouragement to manufacture which could interfere with those of Great Britain; nor has there been the least appearance of any association of private persons for that purpose; nor are there any persons who profess themselves weavers so as to make it their employment or business, but only work at it in their own families during winter and other leisure time. It may be also proper to observe to your Lordship that the inhabitants of this colony are employed either in husbandry, fishing or providing lumber and that all the manufactures for their clothing and the utensils for farming and fishing are made in Great Britain.¹

In the same year Governor Francklin, writing for instructions, made a report and proposals to the government in London regarding the Cape Breton coal mines; but his proposals did not meet with approval, for he was informed, under date of December 2, 1776, that

his Majesty would not at present authorize or permit any coal mines to be opened or worked in the island of Cape Breton, and . . . that all petitions and proposals for that purpose should be dismissed.²

For some reason or other the coal deposits in Cape Breton had, before this, caused anxiety to the home government; for in 1768 the governor was instructed to forbid the working of the coal deposits in Cape Breton; and later, while the

¹Quoted by Campbell, *History of Nova Scotia*, page 161.

²Brown, *History of Cape Breton*, page 364.

colonial administration was enjoined to assist, to the extent of its ability, the Loyalists desirous of settling in the colony, was also specially instructed to see that no land grants were made to them in Cape Breton. On the whole, however, the government seems to have encouraged the growth of such manufactures as the colonies developed spontaneously.

In 1785 we find Governor Parr reporting to Lord Sydney that there were ninety sawmills in the colony of Nova Scotia, of which twenty-five had been erected since 1783. Though the English government had tried at the outset to discourage any tendency to develop linen and woollen manufactures, bounties for the production of hemp were repeatedly given. This was part of the policy, afterwards more fully developed, of looking to the continental colonies as sources of naval supplies. In 1787 the Nova Scotia Assembly requested Lord Sydney, through Governor Parr, to renew the bounties on hemp and timber; and in 1801 the Duke of Portland forwarded instructions to the governor of the colony to encourage the growth of hemp. For hemp and for timber for masts there was a constant demand in England. The industry of shipbuilding, for which, as subsequent history showed, the maritime colonies had great natural facilities, was encouraged by the Navigation Laws; for these excluded all ships built in New England, where even greater facilities then existed. The New England colonies, according to Mr. Fiske, could build much more cheaply than the English yards, in the ratio of \$38 to \$50 or \$60 per ton; and at the time of the Revolution fully one-third of the British ships afloat had been built in New England. The exclusion of ships built in the United States greatly diminished the supply, and this was the opportunity of the Canadian colonists.

Adam Smith had declared that the separation of the American colonies, while politically undesirable, might be an evil which could be tolerated, provided the separation were

effected without war and an advantageous treaty of commerce were concluded between them and the mother country. Unfortunately his pacific prognostications were not realized; but for a time there was some probability, even after the war, that his views about commerce might prevail. Oswald, who negotiated the treaty of peace from the English side, was a friend and disciple of Adam Smith; and one clause in the draft treaty proposed that

the British merchants and merchant ships, on the one hand, shall enjoy in the United States, and in all places belonging to them, the same protection and commercial privileges, and be liable only to the same charges and duties, as their own merchants and merchant ships; and, on the other hand, the merchants and merchant ships of the United States shall enjoy in all places belonging to his Britannic Majesty the same protection and commercial privileges, and be liable only to the same charges and duties, [as] British merchants and merchant ships, saving always to the chartered trading companies of Great Britain such exclusive use and trade [in] their respective posts and establishments as neither the subjects of Great Britain nor any of the more favored nations participate in.¹

This clause was rejected by the English ministry on the ground that the English representatives had no authority to interfere with the Navigation Laws. In the same year Pitt introduced a bill to secure unconditional free trade between England and the United States; but Lord Sheffield's views prevailed. Had Adam Smith, through Oswald or through Pitt, been able to carry out his views, colonial policy for the next half century would have been a much simpler matter. But Lord Sheffield, who, through one much-quoted sentence, has come to be regarded as the representative of the old colonial policy, had on his side the inertia of a century of mercantile legislation; and in July, 1783, the Navigation Acts were applied to trade between the United States

¹ Wharton, *Diplomatic Correspondence of the American Revolution*, vol. v., page 807.

and the British West Indies. Goods from the United States could be imported from the *state* of origin—a piece of *atuitous* insolence which the United States were not in a position to resent, though it called attention to the imperfect character of their union. England's position was strong: she could grant nothing except for a *quid pro quo*, and the United States had nothing to offer. They could not buy elsewhere profitably as in England, and the West Indian trade had been their mainstay before the Revolution. Congress moreover was too weak to levy duties on English goods; and separate action by the individual states only made matters worse.¹

But the disadvantage was not all on one side. The advantages of commerce are mutual; and if the United States lost trade, the West Indian islands, cut off from their natural market, suffered extremely. Relaxations had to be made in the Navigation Laws as early as 1787, when free ports were created in Jamaica and other islands,¹ and the islands were permitted to carry on trade with all foreign colonies in vessels of one deck—a provision which really permitted a roundabout trade with the United States. These relaxations, however, were by no means sufficient. The British North American colonies were quite unable to perform their share of the traffic; and, after many protests from the West Indies, both nations came to reason and recognized the mutual advantage derived from trade. The strictness of the Navigation Laws was therefore further relaxed by Jay's Treaty. American vessels not exceeding seventy tons burden were allowed to trade with the islands on the same footing as that on which British

¹In the circumstances the truth of the following opinion is obvious: "The commercial advantages [of the Jay Treaty] were not very considerable; but they at least served as an entering wedge, to quote Jay's expression, and they were *pro tanto* clear gain to America."—Pellew, John Jay, c. 2.

²27 Geo. III, c. 27; made perpetual, 32 Geo. III, c. 37; and amended, 33 Geo. II, c. 50.

vessels were placed by 23 George III., chapter 39, or annual orders in council.

Jay's Treaty marks a substantial advance of the British colonies towards commercial freedom. The West Indies were the greatest gainers. Canada's vexatious monopoly of the West Indian trade was somewhat restricted; but in return she gained freedom to import and export, by road, river, lake or canal, whatever she pleased from and to the United States. The territory of the Hudson's Bay Company was naturally excluded from the scope of the treaty, because the Americans would thus have been granted privileges denied to British subjects. In the case of Canada the treaty was perpetual; in the case of West Indies the clauses were to cease to operate two years after the conclusion of a treaty of peace in Europe. The maritime continental colonies were apparently excluded because their trade with the United States was not conducted overland; but in their case the strictness was relaxed by annual orders in council, which were periodically renewed and extended in each case before the current period had expired.

The probable reason for the relaxations was the war with France, which not only stopped the roundabout trade between the West Indian islands and the United States and rendered the trade between Canada and the islands more than ever irregular, but also withdrew from the island trade many of the British vessels which had been engaged in it. The navy was unable to provide the necessary convoys, and colonial trading ships were liable to capture by French ships of war and privateers, which swarmed in the Caribbean Sea. This risk of capture, and the superior profits to be obtained by hiring vessels to the government for the transport of troops, induced English merchants to withdraw from this branch of the carrying trade.²

¹See *New Brunswick Royal Gazette, passim.*

²At the end of the war, according to an estimate made by Mr. Huskisson (Speeches, vol. iii, page 17), there were discharged from the navy 1226 vessels.

The concessions under Jay's Treaty gave no adequate relief; for these concessions were hedged round by so many conditions that trade was not even so free as it was intended to be. Under these circumstances the governors of the West Indian islands, relying on subsequent indemnification from imperial Parliament, felt themselves forced, in direct and grant violation of the Navigation Laws, to sanction the secret trade with the United States; and while the war lasted the trade continued without protest. But when the war closed with the Peace of Amiens, the British shipping interests ought to take up the old trade which they had abandoned. The concessions under the Jay Treaty had still two years to run; but against the open violation of the Navigation Laws by the West Indian governors the British traders could and did protest. These protests were readily entertained; for it happened, as a crowning misfortune, that at the beginning of Pitt's second administration the assembly of Jamaica was at variance with the imperial government. In 1804 Lord Camden wrote to the governor of Jamaica and the governors of the other islands, instructing them

not to open the ports of the islands over which they presided for the admission of articles from the United States which were not allowed to be imported by law—except in cases of real and very great necessity.

The illegal permission was accordingly revoked; but there was such a violent protest that permission had to be further extended for six months, though on this occasion for lumber and grain only. The remonstrance of the Jamaica Assembly showed how completely the Navigation Laws had been superseded; for it stated that not one-twelfth of the imports came

0,382 tons which had been hired as transports; and in addition 333 vessels of war of 3,350 tons were sold by the naval authorities, because adapted to other purposes than those of war. Thus nearly 1600 vessels, or one-fourth of the English marine before the outbreak of the war, were withdrawn from the merchant service; and considering the reduced efficiency of what remained, it was no wonder that ships were lacking for the dangerous West Indian trade.

from British North America, that six-sevenths of the import from the United States were carried in American shipping and that, if the ports were closed, 456 British ships employing 2862 seamen must at once be available to avert ruin and disaster. As the ships were not available, nor likely to be available—for war had again broken out—the permission was extended. The governor of the Windward Islands saved himself all this trouble by declaring that the keeping of the ports open was a “real and very great necessity.”

In spite of the extended permission, there was great scarcity in Jamaica; and in the early months of 1806 a petition was presented to Lord Nugent, the governor, showing

that the suspension of our late intercourse with the United States of America must render a further supply of the above-mentioned necessary articles [chiefly lumber and provisions] very scanty and precarious, it having been abundantly proved by upwards of twenty years' experience that the British colonies are altogether inadequate to furnish our wants, and in times of war supplies in British bottoms from the United States cannot be in any measure relied upon; . . . in many parishes there is not a single barrel of flour or meal or bushel of grain for sale.¹

The prayer of the petitioners was granted, and the whole question of colonial trade was in consequence brought up in the Imperial Parliament. The necessity of an open trade, which by one means and another had continued for thirteen years, was recognised. It had been continued in open violation of the statutory law of the empire; and it was obviously

¹ Dispatch dated from Kingston, Jamaica, May 21, 1806, to the *New Brunswick Royal Gazette*. The *Royal Gazette*, down to the year 1847, was not merely an official advertising organ but a general newspaper, which vindicated its official title by dealing only with *la haute politique*. It is invaluable as a source of information regarding the early history of Canada and all matters concerning colonial policy; and its natural official bias renders the information it supplies regarding the evil effects of the colonial policy absolutely trustworthy.

nexpedient to allow the colonial governors to use their discretion in setting aside that law by proclamation or by order in council. The English Government sought to regularize the practice of past years, and to relieve the colonial governors from the responsibility to which they had been exposed of periodically suspending the Navigation Laws. In introducing the bill, the chancellor of the exchequer admitted the absolute necessity of open trade to prevent suffering and disaster in the West Indian islands.

The shipowners [he said] in consequence of the discretion thus reposed in the governors had been exposed to a degree of uncertainty destructive to their real interests. With respect to the islands it was essential not only to their prosperity but to their security that they should be supplied where local circumstances rendered the assistance they received most abundant and regular. During the ten or twelve years, when a different system was pursued, instances of distress had occurred, the bare mention of which would excite the most painful sensations; and common humanity had led the administration for the last thirteen years to abandon the former rigid system both in peace and war. So far were the continental establishments of this country across the Atlantic from being capable of supplying the British islands [*i.e.*, the West Indies] that at one period they were found inadequate to their own subsistence.¹

The bill was in appearance a great breach in the old policy, but in reality it injured no interest. However, it encountered violent opposition in and out of Parliament; and long after the bill had been passed the British shipowners attributed to it all their distresses. It certainly impaired their monopoly of the West Indian trade; but since they had deserted the island service for the more lucrative employment of transporting troops, it was hardly rational to expect that the colonists should starve till it suited the shipowners to resume the trade.

¹Debate in House of Commons, April 21, 1806; quoted in *New Brunswick Royal Gazette*, June 9, 1806.

At the best they could not supply the colonies ; and, as Sir Francis Baring declared in the same debate, it would have been "dangerous and cruel as well as impolitic to trust them at the risk of starving thousands should they fail in the attempt." But the opposition was not based on any regard for the interests of the West Indies. The Navigation Laws were attacked and the conservative instinct was roused in their defence. The master of the rolls, in the course of the debate, said that this bill,

with a force and conciseness beyond all example, strikes out of your statute books or reduces to a dead letter all the body of the laws of this realm made for the support of our navigation, the rule of our colonial system and everything that depends on both ;

and he further insinuated that the bill "contained a meaning and had an object which they did not think fit to disclose to Parliament." The general argument was that "this was the first relaxation of the Navigation Laws enacted by Parliament." As a matter of history, this was not the case ; for the Navigation Laws had been frequently in part suspended in time of war, and more than once in time of peace ; and in the preamble to an act of 1802 (42 George III., chapter 80), it was declared that the commerce of the country had greatly benefited by such relaxation.¹

This act and the discussion had reference primarily to the West Indian colonies ; but it was not long before similar relaxations were granted to the maritime continental colonies also. The Canadas had, under the Jay Treaty, practical freedom of trade, so that there was no question of their position. The maritime colonies continued to receive the same right periodically by proclamation, till in 1809 a law was enacted permitting freedom of trade in certain specified commodities

¹ Cobbett's Parliamentary Debates, vol. vii. Cf. Annual Register, 1806, page 89.

between New Brunswick and Nova Scotia and the United States, in any vessel or ship whatsoever, till March 25, 1812; and by an order in council, transmitted by Castlereagh in the previous year, certain ports in these colonies were practically made free ports.¹ In October, 1811, before the act of 1809 had expired, another order in council extended permission, till further notice, to export in any vessels except those of France, to ports of the United States of America to which British vessels were not admitted, all articles the produce or manufacture of the British Isles or the colonies, under certificate that such articles had been imported in British ships; and to import from such ports of the United States wheat and grain, bread, biscuit, flour, pitch, tar and turpentine.²

In this order in council we have traces of the notorious continental system, with its orders in council, its Berlin and Milan decrees, and the consequent embargo and non-intercourse acts. The effect of these measures was, on the whole, a benefit to Newfoundland and Canada. Of course trade with the United States did not cease because of the embargo; and the maritime ports became to a certain extent, as the order in council evidently intended they should become, *entrepôts* for the trade between England and the United States. The West Indies suffered a great deal, and in some cases offered bounties on the imports of food-stuffs.³ But in the West Indies, as a speaker in the House of Commons said in 1824, "distress was the habitual condition and prosperity the exception";⁴ and at a time when war was imminent between England and the United States the distress was likely to be regarded as an

¹ Haliburton, *History of Nova Scotia*, vol. i, page 249.

² *New Brunswick Royal Gazette*, January 13, 1812.

³ *New Brunswick Royal Gazette*, March 2, 1812, contains a copy of such a proclamation by the Governor of Gaudeloupe, July 1, 1811, by which bounties, in some cases specific, in others *ad valorem*, are offered for six months and until three months' notice shall have been given.

⁴ Huskisson, *Speeches*, vol. ii, page 367.

incident of the war. The northern colonies prospered greatly during the embargo period and during the war. They were as we saw, used as *entrepôts*, and they secured a large share of the fish trade to the Mediterranean and to South America. "The war made the fortunes of Newfoundland merchants. Fish were smuggled into Spain through Portugal, and Newfoundland merchants had the whole Peninsular market and Italy without a rival."¹ Intercolonial trade received an impetus. Newfoundland obtained a large part of its food supplies from British North America.² The mother country also was forced to import from Canada many goods previously supplied by the United States. Wheat was exported in considerable quantities, and Canadian lumber in large quantities. Six hundred lumber ships loaded at Quebec in 1810, and saw mills, many of them operated by steam, sprang up everywhere.

With the War of 1812 all treaties lapsed, and there was a free field for constructive legislation. But the treaty of commerce in 1815 practically restored the condition of affairs before the war, except that an attempt was made to demand reciprocal concessions from the United States. There was to be equality of all charges upon the ships belonging to either country in the ports of the other, and a like equality of duty upon all articles the production of the one country, imported into the other, whether such importation was made in the ships of the one or of the other.³ This convention was renewed in 1818 for a period of ten years; but it did not work easily. It was a case of pouring new wine into old bottles;

¹ Prowse, History of Newfoundland, page 395, note.

² The British Provinces "supplied all the lumber, cattle, butter, oats, corn, hay, and other produce that had always been procured from America. Of course they could not supply all the flour that was required, but it shows what progress they were making that, out of 85,000 cwt. of bread and flour, British America supplied Newfoundland in 1813 with nearly 12,000 cwt.; and also with 1400 oxen, 1400 sheep and 2½ million feet of board."—Prowse, *op. cit.*, page 393.

³ Convention of 1815, art. ii. Treaties and Conventions of the United States, page 345.

and the modifications of the Navigation Laws did not harmonize with the old principles which had remained unmodified. The new reciprocal system operated to the prejudice of British shipping. American ships could use English ports as *trepôts*—and the more profitably on account of the extension of the warehousing system; but English ships were liable to seizure if they imported into the United States any article not the produce of the United Kingdom. The United States was hampered by the convention in the control of its own tariff. The protectionist spirit had increased during the war, and attempts were made to raise the duties on certain articles which at that period were manufactured only by England. The result was a further suspension of intercourse (1820) between the United States and the West Indies; and this continued till in 1822 an act was passed by which American ships were allowed to trade directly between the United States and the West Indies and North American colonies.

The systematic reform of the Navigation Laws; the repeal of the preferences granted to the colonies; and the gradual removal, in the latter half of the present century, of the restrictions which prevented the colonies from framing an independent commercial policy—these changes have still to be examined.

CHAPTER II.

ENGLAND'S COMMERCIAL POLICY TOWARDS HER
COLONIES SINCE THE TREATY OF PARIS.

THE reform of the Navigation Laws, which began with Wallace's measure in 1822, was the inception of a systematic reform, culminating in Huskisson's measures in 1826, which practically swept away all the burdensome restrictions that affected the trade of the colonies and gave them freedom to develop. The partial modifications had worked so ill that it became necessary to reconsider the whole policy and to adapt it to the changed circumstances of the political, commercial and colonial world. When the Navigation System was established, the competitors of England were all European nations: Asia, Africa and America were merely spheres of colonization, for a share of whose commerce the different European nations competed. On these continents there were no maritime nations whose power was feared. As the number and the area of the independent nations extended in these continents, the colonial sphere contracted. The situation in the first decades of this century, when the Portuguese colony of Brazil and then the Spanish colonies of South America asserted their independence, was analogous to the situation which existed when the United States achieved their independence. "Great Britain had no choice but to apply the European principles to the commerce and navigation of Brazil, though out of Europe,"¹ and consequently later to the commerce and navigation of Colombia and Buenos Ayres and the rest.

One of the new states which had arisen since the inception

¹ Huskisson, *Speeches*, III, page 27.

of this navigation policy was a much more dangerous naval competitor than any of the European states. Yet it was precisely to this power that the greatest concessions had been made in the way of departure from the strict principles of the Navigation Laws. It is true that the concessions were due to the exigencies of war, thus violating the rule which England herself had tried to enforce in the Seven Years' War. But when once the concessions had been made, colonial interests forbade their withdrawal; and a foreign nation was thus admitted to a share of England's colonial trade. The United States had applied to English trade the same policy which England had in 1785 applied to American shipping, by refusing to consider the British colonies as integral parts of the British Empire—a piece of insolence which could be paralleled only by England's insult in 1785.¹

The aim of the Navigation Laws had been relative, not absolute, power. A nation endeavoured to engross as much of the world's traffic as it could, and then sought to prevent any other single country from engrossing too great a share of what remained. From the nations of Europe England had no longer anything to fear; but, in defiance of the Navigation Laws, she was favoring above all other nations the United States, and thus allowing a large share of the trade she herself could not engross to be carried on by her most dangerous maritime rival. The remedy obviously could not be sought in a return to the older and unmodified policy. In particular, the interests of the West Indies forbade such a solution. British shipping simply could not supply the needs of the colonies; and the relaxation of the old system was essential to the prosperity and to the very existence of these colonies. The remedy therefore lay in admitting European nations to the English colonial trade, in order to prevent the United States from engrossing the West Indian trade. Thus

¹ Huskisson, *Speeches, passim.*

the islands would be at once relieved from their dependence on one sole market, which had been twice closed to them by war and at least twice by political measures; and at the same time the supremacy of the United States in these waters would be qualified. This policy was in the true line of the Navigation Acts, preserving their spirit while modifying their letter to suit the altered circumstances of the case.

The conditions were altered, not merely because new nations had risen up beyond the Atlantic or because England, having practically no industrial rival, no longer attributed so much importance to the idea of relative power, but also because from one reason or another men could no longer naively assume that colonies existed to be exploited. The causes of the change in the English sentiment have been suggested; but the most important of them was the fact that the colonists were becoming strong enough to make their influence felt. The continental colonies had benefited greatly by all the incidents of the commercial policy of the war. They had a preference in the English market, because England had a quarrel with the Baltic powers; and the War of 1812 had for a time given them a monopoly of the Mediterranean market and had restored to them their monopoly of the West Indian market. The country was better settled, communications had been opened up and industry was developing. They naturally turned, therefore, to politics and to agitation against what they conceived to be grievances. The greater part of their energy was devoted to the struggle for responsible government, which turned mainly on the question of the control of the crown duties. These were nominally collected to regulate commerce, and against this purpose they had little to say; but the revenue could hardly be said to be within their control, for the amount derived from the duties imposed under the act of 1825 was £75,000 a year, and of this £68,000 was expended in paying crown officers appointed by the home

government¹ to secure the regulation of colonial commerce. In the long run, the grant of responsible government was the ground of the colonial claim to complete control of their own tariffs; but in the early decades of the century the political restrictions naturally drew their attention from those which were more ostensibly commercial. They had some energy left, however, to protest against even the slight injustice which these limitations caused. In 1809 Sir Erasmus Gower, Governor of Newfoundland, reported to the home government that there were evidences of discontent with the colonial restrictions:

It is eighteen years since I was first on this station, and the great improvements and changes that have taken place in that time render it now absolutely necessary that the capital of this colony should no longer be cramped, cabined and confined by laws and restrictions, which at present are entirely unsuited to its conditions and progress.²

From 1810 onwards they protested against the restrictions to which they were subjected. It is true that their protests were incidental and were directed against grievances which were in the main sentimental;³ but they served to show how the wind was blowing. The main protests continued to come from the West Indies, where the grievance was not merely sentimental and where the restrictive system, with all the relaxations granted, not only handicapped them in their competition with newer sugar islands, but also subjected them periodically to the dangers of dearth and famine.

These were the changes in circumstances which, according to Huskisson, demanded a modification of the Navigation

¹ McCulloch, *Dictionary of Commerce*, article "Colonies," page 337.

² Prowse, *History of Newfoundland*, pp. 383-384.

³ In April, 1811, the Assembly of Nova Scotia protested against the practice of prosecuting breaches of the Imperial revenue laws in the court of the Vice-Admiralty at Halifax, and adopted a string of resolutions condemning the practice as a great grievance and as betraying a want of confidence in the people of the province.—*Haliburton, Nova Scotia*, I, 288.

Laws ; and the changes were so generally recognized that he could treat a return to the old system as an impossible alternative. What remained to be done, in his view, was to throw open the colonial ports to the ships of all nations, reserving only the intercourse between the mother country and the colonies, which was to be treated as a coasting trade. The freedom of trade was, however, to be granted on reciprocal terms only ; and the imports were still to be subject to the crown duties intended to give a preference to the productions of the mother country in the colonial market and to those of the respective colonies in the markets of each other. McCulloch claimed that the conditions and regulations introduced were, for the most part, in direct contradiction of the principles laid down by Huskisson himself.¹ But McCulloch was a polemical free trader, while Huskisson was a statesman making the first steps towards free trade ; and the acts of 1825 and 1826 mark an enormous advance in both commercial and colonial policy. The concessions made to the colonists were that the casual relaxations of the system made in favor of trade with the United States were regularized and made permanent, and that these relaxations were granted to all other nations on the same terms as to the United States. Free ports were created in the various colonies and the privilege of warehousing was extended. The preferential duties in favor of the mother country were not abolished ; but, in place of absolute prohibition of many articles, an *ad valorem* duty was established, and the act of 1826 (which simply consolidated two acts of 1825) significantly includes, not a list of enumerated articles which might be imported, but a brief table of restrictions.

“ It is not to be dissembled that this is a great change in our colonial system,” said Huskisson ;² but he claimed that

¹ McCulloch, *op. et. art. cit.*, page 333.

² Huskisson, *Speeches*, II, 218.

great benefits to both the mother country and the colonies would ensue from it. Since the consequences of the Treaty of Paris had borne out all that Adam Smith had said about the advantages of open trade and the disadvantages of monopoly, there had been other instances of prosperity resulting from the opening up of trade, to which he could appeal as precedents justifying the change he proposed. In 1813 the East Indian trade had been thrown open, with a result which proved, he said, "as the history of all modern commerce proves, that wherever you give a free scope to capital, to industry, to the stirring intelligence and active spirit of adventure . . . you are in fact opening new roads to enterprise."¹ He had another precedent in the restrictions on the Irish trade.

An open trade, especially to a rich and thriving country [he concludes], is infinitely more valuable than any monopoly, however exclusive, which the public power of the state may be able either to enforce against its own colonial dominions or to establish in its intercourse with other parts of the world.²

In addition to these commercial advantages, which the release of the colonial trade would bring to the mother country, he believed that political advantages in her relations to the continental colonies would also accrue. They would connect their increased prosperity with the liberal treatment, and would "neither look with envy at the growth of other states on the same continent, nor wish for the dissolution of old and the formation of new political connexions." These were the advantages to the mother country which he foresaw, and he relied on this general argument to prove that the concessions should be extended to the West Indian islands. He considered a supposed objection, that the privileges need not have been extended to the West Indies, because "they cannot help themselves, however rigid the rules of monopoly or

¹ *Ibid.*, II, 320.

² *Ibid.* II, 321.

dependence" under which they may be placed;¹ and answered it by asserting that at no time since the independence of the United States had it been found possible to enforce the statutory restrictions, and that to attempt to do so would expose the islands to the greatest distress and would injure the shipping interests which opposed his reforms.

From all the experience which we can collect from the conduct of this country in respect to Ireland and to its colonies—from all that we witness of what is passing in the colonies of other states, I come clearly to the conclusion that so far as the colonies themselves are concerned, their prosperity is cramped and impeded by the old system of exclusion and monopoly; and I feel myself equally warranted in my next inference, that whatever tends to increase the prosperity of the colonies cannot fail, in the long run, to advance in an equal degree the general interests of the parent state.²

This is his general argument; but in the case of the continental colonies he found other reasons, based upon the industrial conditions in the colonies. Without these concessions, he feared, they would not continue to be able to meet the competition of the United States. The war had brought great prosperity to the maritime colonies, because it had given them a practical monopoly of the great markets for fish; but after the war there had been considerable distress, because, being handicapped by the Navigation Laws, which forbade them to take return cargoes, the Nova Scotia fishermen could not meet the competition of the United States in neutral markets.

These were the arguments which, in the teeth of the opposition of the shipping interests, carried through the first great modification of the colonial system. It was carried almost amid the indifference of the colonies. Canada was content with a colonial system which gave her the English market for timber, and she reserved her reforming zeal for constitutional

¹ Huskisson, *Speeches*, III, 110.

² *Ibid.*, II, 313, 314.

uestions. The colonists were gratified that the restrictions were removed, though they had not been seriously inconvenienced by them. Practically, all that any one had ever intended for was thus granted them, and with scarcely a cause they resumed their agitation for responsible government. Those only who were in opposition to the popular demand saw great significance in Huskisson's reforms. Haliburton wrote :

Thus ended colonial monopoly, and with it, it is to be hoped, those ungenerous feelings which led many persons in Great Britain to suppose that although members of the same Empire their interests were distinct from ours ; that any benefit derived to us from an inter-colonial trade was an indirect disadvantage to them ; and that the poverty of the colonies which that very monopoly created, while it rendered us sometimes burthensome and often importunate, was a reason for viewing us rather in the light of needy dependents than good customers.

The benefit of this extension of trade, and the soundness of the principle on which it is founded, will soon appear in the increase of the national shipping—in the impulse given to colonial enterprise—in the growing demand for British manufactures and in more punctual remittances.¹

Haliburton's amiable hope that this was the end of the "ungenerous feelings" was not to be realized ; for this reform of Huskisson's, with the prosperity which came to the colonies in consequence, was only the starting point and the occasion for greater virulence on the part of those whom we now revile as Little Englanders. The colonial monopoly had not come to an end, but only that part of it which could with any reason be said to benefit the mother country. The colonial preferences in the English market still remained ; but it was argued that what was beneficial to the colonies would surely be beneficial to the mother country in the end.

¹ Haliburton, *History of Nova Scotia*, II, 388.

Whatever principles may have been involved, Huskisson's reform was justified by the result. Trade expanded and prosperity increased. There was at first some difficulty with the United States, with whose objections to reciprocity McCulloch expressed his sympathy; and the result was another suspension of intercourse. Reports were made to the Senate of the United States early in 1826, condemning Huskisson's acts as "giving too little and asking too much."

... The committee are not aware that any great advantage is to be derived to the commerce of the United States in making British colonial ports places of entrepôt for the warehousing and transhipment of merchandize to be received from, or imported into, the United States, when it could probably be both brought and carried without resort to them, directly to its ultimate destination with less cost and greater benefit; more especially when such ports are subject to exclusion without their previous knowledge or concurrence as is recently demonstrated to be the case with regard to Halifax in Nova Scotia.¹

This difficulty about the reservation of the intercolonial trade was not completely removed till the Navigation Law were finally repealed; but a compromise was patched up, and trade was renewed on reciprocal terms in 1830, when England modified some of the colonial duties which were intended to promote intercolonial trade; and in that year the benefit of the acts of 1825 and 1826 were realized by the West Indies. But when this quarrel had been adjusted, the trade of the colonies grew.² They imported more than ever from the mother country, but their imports from foreign countries increased even faster. They exported to foreign countries that surplus which the United Kingdom could not take (and in this concession the West Indies found a certain means of

¹ Report to U. S. Senate, January 25, 1826, quoted in the *New Brunswick Royal Gazette*, March 21, 1826. Halifax, an open port, had been closed, "in mid winter and without notice, on an extremely hazardous and inclement coast."

² McCulloch, *op. et art. cit.*, page 333.

ding over the crisis caused by the emancipation of the slaves); and colonial ships traded to all parts of the world. So great was the development that a writer in the *Quebec Gazette*, apparently in 1837, tried to account for the slower progress of Canada, as compared with the United States, by referring to the old restrictive system.

From 1784 to the present time, our neighbours have had the free range of the world, going and coming; while the colonies, until a comparatively recent period, were confined to the trade with the mother country and with the other colonies.¹

Ten years later the governor of Nova Scotia wrote to Earl Grey, the colonial secretary; and his report is the final justification of Huskisson's reforms.

Prior to 1824, the foreign trade of Nova Scotia was very limited, but the changes in the commercial policy of the empire, suggested and carried through by Mr. Huskisson, opened a wider field for colonial enterprise, of which the North Americans were not slow to avail themselves. With every relaxation yielded by the Imperial Parliament, the foreign commerce of the colonies has attained a further development, and Nova Scotia vessels, besides their traffic with the neighbouring states, Canada and the West Indies, now trade to the Baltic, the Mediterranean, China, the [sic] Maritius, the East Indies, the Brazils and the [sic] Havanah; and our merchants and mariners are fast acquiring an accurate acquaintance with distant seas and with foreign markets in every part of the world.

With this report he sent a tabular statement (in part reproduced on p. 44, note), which showed, by a comparison of the trade of 1827 with that of 1847, the extent of this development.

With Huskisson's reforms the restrictions on the external trade of the colonies ended. There remained the preferential duties in their tariffs in favor of English manufactures:

¹Quoted in Martin's Colonies.

the important fact that the opening of trade depended on reciprocal concessions, the value of which was adjudged by the Imperial Parliament; and the classification of the trade between the colonies and the mother country as a coasting trade. The preferences in favor of the mother country imposed no great burden on the colonies. England exported no food stuffs, and could manufacture more cheaply than any other nation; and the colonies could have regarded the abolition of these preferences with profound indifference, had they not known that this act of apparent self-denial was but a prelude to the abolition of what they valued—the colonial preference in the English market. The complete repeal of the Navigation Laws—thus opening the colonial trade to all nations, irrespective of reciprocal concessions—was not regarded as a boon, but in fact nearly drove the North American colonies to the verge of revolt, if words meant anything. In 1841 the Imperial duties at colonial ports were reduced and the prohibitions entirely removed; and in 1846 the colonial legislatures were authorized to repeal all the differential duties which had been imposed in the colonies to favor British produce and to encourage British and colonial shipping. The speech from the throne at the opening of the Imperial Parliament in 1847 suggested that this freedom should be exercised for the benefit of the consumer.

NOTE (cf. p. 43).—*Imports into Nova Scotia (including Cape Breton) from*

| | United Kingdom | British Possessions | U.S. and Foreign Ports | Total |
|------|----------------|---------------------|------------------------|-----------|
| 1827 | £307,907 | £190,309 | £312,603 | £810,819 |
| 1847 | 330,915 | 220,550 | 480,489 | 1,031,955 |

Exports from Nova Scotia to

| | United Kingdom | British Possessions | U.S. and Foreign Ports | Total |
|------|----------------|---------------------|------------------------|----------|
| 1827 | £121,617 | £107,738 | £36,922 | £267,277 |
| 1847 | 71,804 | 446,006 | 513,259 | 831,071 |

Shipping (tons) cleared for

| | United Kingdom | British Possessions | U.S. and Foreign Ports | Total |
|------|----------------|---------------------|------------------------|---------|
| 1827 | 22,615 | 100,324 | 10,874 | 123,813 |
| 1847 | 67,049 | 149,524 | 199,880 | 416,463 |

See also Porter, *Progress of the Nation*, pp. 796 *et seq.*

The colonial legislatures took different courses of action in the matter of repeal. In Canada, in 1847, Mr. Cayley introduced a budget which did away with protection to British products, as compared with foreign, and in place of the old crown duties substituted duties for revenue, without any distinction as to the source of the goods. Nova Scotia followed the same course; but New Brunswick—pathetically loyal to the last—maintained in her tariff of 1848 a discrimination in favor of the mother country and the other colonies, amounting in some cases to three or four hundred per cent.¹

The final repeal of the Navigation Laws, instead of being welcomed, was the occasion of great distress and serious discontent in the seaboard colonies of the North American continent. The act of 1849 repealed Huskisson's definition of the direct trade between the mother country and the colonies and of the intercolonial trade as a coasting trade, and threw open the whole carrying trade of the British Empire to the competition of the world. This destroyed the advantage which the North American colonies had enjoyed in the West Indian trade; and in 1851 a further blow seemed to be struck at colonial prosperity, when the colonial preference on timber, already greatly reduced, was cut in half. This double blow at their prosperity was the signal for a great outburst of disloyalty and discontent. In Montreal and St. John the excitement rose to the pitch of frenzy. The mother country had cast them over, and they saw nothing but ruin staring them in the face. The repeal was, however, probably what the colonies needed most. It threw them on their own resources

¹Journal of New Brunswick House of Assembly, March 28, 1848. The following are some of the items:

| | Eng. and Colonial. | | | Foreign. | | | Eng. and Colonial. | | | Foreign. | | |
|------------------|--------------------|----|----|----------|----|----|--------------------|--|----|----------|----|----|
| | £ | s. | d. | £ | s. | d. | | | | £ | s. | d. |
| Butter, per cwt. | 4 | 6 | | 9 | 0 | | Boots | | 4% | 30% | | |
| Cattle | 1 | 0 | 0 | 2 | 0 | 0 | Carriages | | 4% | 30% | | |
| Clocks, each | | 5 | 0 | | 15 | 0 | | | | | | |
| Sugar, per cwt. | | 5 | 0 | | 10 | 0 | N. E. S. | | 4% | 15% | | |

and made them realize the duties as well as the privileges of responsible government. The ruin that was imminent did not come, because they set to work to avert it; and the threat of ruin was ultimately the industrial salvation of the colonies.

The human mind [says Leroy Beaulieu] is so constituted that it will not have recourse to heroic measures until the situation is clear and definite. It will not depart from routine nor make full use of all its resources until it has seen all other hope of safety disappear.¹

This truth was abundantly illustrated in the case of the colonies after their desertion by the mother country. There was a good deal of immediate distress and suffering; but it worked out right in the end. A contemporary New Brunswick observer, writing a quarter of a century later, said that the danger turned out to be more illusory than real;² but it was averted because the energy of the colonists was called out. When they found that their appeals and protests were disregarded and that the English market was no longer to be their preserve, they began to set their house in order and to accommodate their business methods to the new conditions. The possession of the preference had encouraged unbusiness-like ways and a spirit of dependence on governments. Henceforth they talked less politics and devoted themselves to trade; and even the lumber industry was probably not less profitable in the face of competition than it had been in the days of the preference, although undoubtedly it was no longer so easy.³

¹ *De la Colonization*, (2me édit.), page 203.

² Fenety, *Political Notes* (First Series), page 329.

³ Owing to wasteful methods of securing the lumber, "it is doubtful whether the trade was more profitable than it is at present, notwithstanding the enormous productiveness of the forests and the advantage which New Brunswick and the other colonies then had in the markets of Great Britain."—James Hannay, *Life of Sir L. Tilley*, page 40. There was another side to this prosperity, as the first minister at Pictou, Nova Scotia, pointed out. "But the grand cause of our depravation is the

The immediate effect, however, was to daunt the bravest and the most loyal. It had been argued in England that the removal of the restrictions, by encouraging the enterprise and rousing the industry of the colonies, would increase their resources, and would thus enable them in a shorter time to throw off the yoke and effect their separation from the mother country. But it was the immediate distress, rather than the ultimate prosperity, which threatened to make for separation. Public opinion, whether in the legislative assemblies, in public meetings or in the press, was disloyal. The expression of discontent was participated in by the staid, solid and sober members of the community, always famous for their conservatism and strong attachment to everything English.¹ An

shutting up of the Baltic. If the Devil contrived it for the ruin of our morals, he is a master in politics; for it were hard to contrive a more effectual scheme for that purpose. . . . Ever since that event, ships, sailors, money and spirituous liquors with their attendant evils, have been pouring in among us continually. The great demand for timber has in a manner caused us to lay aside farming, our most innocent, and in the long run our most profitable earthly employment, and give ourselves up to the felling, squaring, hauling, rafting, and selling of timber to the ships, and the squandering of money . . . The prosperity of fools destroys them . . ." And the biographer of this minister explains with more restraint the effect of the demand for colonial timber. "It might have been expected that such prosperity would at least have had an important influence upon the improvement of the country. But it would be difficult to find in any land an example of such prosperity leaving so few permanent results for good even upon its material progress. Farming retrograded. The farmers went to the woods for timber, and left their farms to neglect. The land was thus depreciated by having the valuable timber removed from it without its being cleared or rendered fit for the plough; while a ruinous system of farming impoverished the land already under cultivation. The farmer thought only of hastily committing his seed to the ground in spring, and of removing the crop in harvest, and paid no attention to manuring, rotation, or other improved systems of agriculture. . . . In this way the farms became thoroughly exhausted, and the evils of this state of things have continued to the present day (1859), both by the improper system of farming, which is not even yet entirely abolished, and by the bad reputation which the country gained as to its capabilities for agriculture. The merchants, partly owing to the system of credit, and partly owing to the changes which took place in the lumber market, nearly all failed . . . and the country came out of a season of commercial prosperity, such as it has never since seen, with exhausted resources." (Patterson: *Memoir of the Rev. James MacGregor, D.D., of Pictou, Nova Scotia*, pp. 369-371). This is an unexpected picture of the results of a really effective English preferential tariff in favour of colonial produce, but it can hardly be regarded as greatly exaggerated.

¹ Fenety, *op. cit.*, page 329.

address in favor of annexation to the United States, prepared in Montreal and signed by 325 merchants of that city, rested its complaint on "the most disastrous effect" which the "reversal of the ancient policy of Great Britain" had upon Canada; and although outside of Montreal there was not much favor shown to the annexation idea, language equally strong was employed to denounce the selfish policy of the mother country. At a joint meeting of the British-American League and the Colonial Association of New Brunswick it was resolved :

That the commercial evils now oppressing the British-American provinces are to be traced principally to the abandonment by Great Britain of her former colonial policy, thus depriving them of the preference previously enjoyed in the British market, without securing advantages in any other market.

That these colonies cannot remain in their present position without the prospect of immediate ruin and that it is the duty of the Imperial Government either *first* to restore to the colonies a preference in the British markets over foreign goods, or *second* to have opened to them the markets of foreign countries, and more especially the United States upon terms of reciprocity.

The resolutions proposed by Mr. (now Senator) Wark, to which reference has already been made, deserve quotation, not simply because they express clearly the discontent in New Brunswick, which suffered especially from the changes, but because they indicate clearly the restrictions to which the colonies were still subject, and to the removal of which the energy of the colonists was directed, as soon as they had given up the vain hope that their protests might avail to change the English policy. The colonists had as yet, he claimed, neither the full power of regulating their tariff nor the right to enter into commercial treaties with foreign countries; and he demanded a further extension of the powers of the colonial legislature to accomplish these ends.

His resolutions were not adopted; but those which were substituted for them recognized the necessity that new markets should be opened up, and formulated clearly the demand for a reciprocity treaty with the United States.

There can be no doubt that the changes effected in 1849 and 1851 did practically threaten the industries which had grown up in Canada during the first half of the century. The colonists claimed that the change was an outcome of the tendency to promote the manufacturing at the expense of the colonial interests of England; and the difficulty of effecting the reform, with the distress and discontent it caused, is but another instance of the political danger of creating "interests" by the manipulation of tariffs. The colonists had a strong case for consideration. They could have shown that the system of preferential duties had originated in the political and naval necessities of the mother country and that the benefit to the colonies was an afterthought, emphasized by those in authority to reconcile freemen to a system of political slavery which was a benefit to office-holders only. While admitting that it had given prosperity and industrial development to the colonies, they could have argued that it had tended to restrict their industrial development to one line and had hindered the natural diversification of industry. Adam Smith may have been right, when he said that bounties on colonial timber assisted in the clearing of the land; but a system of such excessive preferences as had been established had manifestly no such tendency, because lumbering remained so profitable that agricultural development was checked. The net results were: (1) the prosperity of the country was made to depend on one industry, which was naturally subject to fluctuations, according to the seasons, and did not therefore encourage a true industrial spirit; (2) the prosperity of this industry in Canada was subject to the caprices and interests of a legislative power over which the colonies could exercise

no legislative control ; (3) although the colonies had a preference in the English market, their lumber had, so long as that preference was substantial, been subject to heavy duties at home—with the result, according to the showing of English Parliamentary committees, that a fluctuation of price in the English market to the extent of five per cent. meant a fluctuation of thirty per cent. in the colonies ; (4) although they had protested against these fluctuations, they were being ruined by the removal of so ambiguous a benefit, because that industry, the creation to a large extent of Parliamentary preference, was their sole support.

Most of these allegations could have been supported by reference to the Journals of the House of Commons. The benefit of the preferences was real enough, but at the same time an artificial direction and concentration was given to the industry of the country. Had the maintenance of the preferences been within their own control, this artificiality would have been a trivial matter in comparison with the real benefits of the preference ; but it was dependent on the breath of English opinion, which had changed.

Still, a great deal of consideration was actually shown for colonial interests by English statesmen. The colonial preferences were the last portions of the old colonial system to be removed. Down to 1860 the colonies enjoyed a preference of 4s. a load on timber, which ought to have been sufficient to counterbalance the longer journey. The preferences were not all at once abolished, and the colonists had ample warning to set their house in order ; so that, had it not been for the acquired Micawber instinct of waiting for the government to do something, they would not have been left in the lurch at the last.

The case of the West Indies was harder. They had suffered more from the other parts of the colonial system ; and yet, even when the preference was highest, they had derived

little real benefit from it. The monopoly granted to the West Indian planter, said Huskisson,¹ was of little or no advantage to him.

By conquests made during the last war, by cessions obtained at the last peace, you have extended your sugar colonies in such a degree that the quantity they now send to this country exceeds by 60,000 hogsheads (about one-fifth of the whole supply) the consumption of this country. This excess must be sold in the general market of Europe. The price which it will command in that market, it is obvious, must be regulated by the rate at which other sugars of like quality (those of Cuba, Brazil and the East Indies) can be afforded in the same market. It is equally obvious that the price of this excess must determine the price of the other four-fifths consumed in the United Kingdom. The monopoly, therefore, affords little if any substantial advantage to those upon whom it is conferred. They must be able to produce sugar in competition with the foreign grower.

The abolition of the preference was, nevertheless, a hard blow to the West Indies. The preference had encouraged them to confine themselves to the cultivation of a single staple, for the production of which they were by no means so well suited as were the competitors they now had to meet. From this blow they never recovered, because they were not able, as were their fellow-sufferers in the continental colonies, to turn their energies to other fields; and at the present moment there is a strong demand—and little likelihood—that in some form or other the preference in the English market may be restored to them. The whole history of the preferential duties is one long warning against an attempt to give an artificial direction to industry.²

¹ Huskisson, *Speeches*, III, 114. Cf. also III, 603: "Much as the West India planters have been, from time to time, promised, nothing has as yet been done for them."

² The history of the preferential duties is represented in tabular form below. The timber and sugar duties are taken as typical; but these, though the most important, were not the only preferences enjoyed. In 1840, according to Porter's evidence before

The act of 1846 has generally been regarded as the close of the period of commercial regulations; and doubtless it was, for practical purposes. But there still remained certain restrictions on the commercial freedom of the colonies. The removal of the restrictions was, as has been said, a triumph rather of free trade than of freedom. The English government did not propose to allow the colonies to mar the example which England was offering to the world, and accordingly it

the famous Import Committee of that year, there were 82 differential duties in favor of colonial products; by 1853 all of these but the preferences on timber, food, wine and spirits had disappeared; and in 1860 the last, the timber duty, was abolished.

1798 Colonial timber was admitted free till 1798, when it was charged 3°.
 1803 } *ad valorem*; but there was practically no importation till 1803, when the
 1806 } duty stood at 2s. a load. This duty was abolished in 1806. Owing to diffi-
 1809 } culties with the Baltic powers, a large addition was made to duties on Baltic
 1810 } timber in 1809, and in the following year these duties were doubled. After
 1813 } the failure of Napoleon's Russian campaign, when the Baltic ports were
 1821 } again opened, an addition of 25% was made, not from military necessity, but
 1821 } to favour the colonies; although the result was still further to decrease
 1842 } Baltic shipping. This continued to 1821, when a duty of 10s. a load was
 1848 } imposed on colonial timber, and the duty on foreign reduced from 6s. to
 1851 } 5s. In 1831 an attempt was made still further to reduce the colonial pref-
 1860 } erence, but ineffectually; and the Whig government in 1841 was equally
 1844 } unsuccessful. Peel successfully dealt with the subject in his first budget,
 1844 } and again in 1843; and in 1846 changes were proposed, to take effect in
 1848 } two stages, 1847 and 1848, at which date the preference had been reduced
 1851 } to 1s. on foreign and 1s. per load on colonial. The preference was in 1851
 1860 } again reduced by half, and finally in 1860 the duties were equalized at 1s. a
 1844 } load on foreign and colonial timber alike.—Down to 1841 the duty on
 1844 } foreign sugar was prohibitory and the imports practically nothing. In that
 1848 } year the Whig ministry proposed to reduce foreign sugar from 6s. per cwt.
 1851 } to 3s., the duty on colonial remaining at 2s. per cwt.; but their proposal
 1854 } was rejected on the ground that it granted favours to slave products. Peel,
 1844 } in 1844, admitted foreign sugar, the product of free labour in China, Java
 1845 } and Manila, at an intermediate rate of 3s. 8d., the duties on foreign slave-
 1846 } grown being 6s. 2d. In the next year the duties on all classes were
 1846 } reduced and stood at 6s., 2s. 4d. and 1s.; and provision was made that
 1851 } by 1851 colonial sugar should be reduced to 1s., and that in 1854 all
 1854 } rates were to be equalized. But in 1846 the Whig ministry abolished the
 1854 } distinction between slave-grown and free-grown, and reduced the duty on
 1854 } all foreign sugar to 2s. per quintal, which was gradually to be reduced
 1854 } to 1s. in 1851, when all preferences were to disappear. In 1848, however,
 1854 } in consequence of protest, the time of protection to colonial sugar was
 1854 } extended three years, to 1854, in which year all preferences disappeared,
 1854 } though the sugar duties continued till 1874.

desired to keep the colonies in subjection to the ideas of the mother country.

The benefits [wrote Lord Grey in 1849 to Sir Edmund Head] which are expected to arise from this policy [that is, free trade] will be greatly increased through its general adoption by the principal nations of the world, which Her Majesty's government hope to see eventually brought about. But it would materially interfere with the attainment of this happy result if it should be observed by foreign countries that the former and narrow policy of endeavouring, by bounties or restrictions, to divert capital and industry to other than their natural channels, was again adopted with Her Majesty's assent in any part of Her Dominion.¹

To many in the colonies it seemed, and perhaps still seems, that the mother country was pursuing her own interests at the expense of the colonies. Mr. Wark, in his resolutions, claimed that the manufacturing interests of the mother country were being advanced at the expense of the colonial interests; that England had no longer any need for restrictions to secure her own market, and was interested in having the world's markets thrown open to her; and that, for the sake of the example to foreign countries, she was still prepared to sacrifice the interests of the colonies, or what seemed to the colonists to be their interests. The colonies were not yet free, but were still mere conveniences to serve the ends of the mother country. England had abandoned specific restrictions, but she still maintained the restrictive system. If there were any in England who believed that, because specific restrictions might have weighed on the colonies, they would welcome the principles of free trade, they were speedily undeceived; for the colonists at once began to claim the right to manipulate their tariffs in ways quite contrary to the principles of free trade. This brought them into

¹ Dispatch 170, December 4, 1849, Journals of New Brunswick House, 1850.

conflict with the home government, which still thought to regulate colonial ideas.

The restrictions on the freedom of the colonists, stated briefly, in the order in which they came up for discussion, were three: (1) They were denied the right to favor their own industries, by means of import duties or by bounties; (2) they were not free to enter into reciprocity treaties with other colonies or with foreign countries; and (3) they were bound by Imperial treaties, in the framing of which they were not consulted. These three restrictions have been removed: the first in 1859; the second in 1868 for Canada, in 1873 and 1895 for the Cape and the Australian colonies; the third, partially in 1881 and finally in 1897.

In 1842 the last tariff was framed for the colonies; and in the following year it was conceded by speakers in the English House of Commons that Canada possessed the exclusive right to regulate her own tariff.¹ But when the colonies began to exercise this right according to their own ideas, the home government protested and instructed colonial governors not to give their assent to bills which were contrary to free-trade principles. The Assembly of New Brunswick sought to establish a bounty on hemp, and the colonial secretary rebuked the Assembly for their ignorance of economic principles as well as for their presumption. So well known were the sentiments of the home government, and so thoroughly was it recognized in the colonies that they were prepared to enforce these sentiments, that in 1849 Mr. Hincks, the inspector-general of Canada, in introducing a free-trade budget, declared that to establish a protective system in Canada would be tantamount to a declaration of independence. He referred to Lord Grey's dispatches; and he asked what inducement England would have in keeping up any connection with Canada, if the colony deprived her of the power of

¹Todd, *Parliamentary Government in the British Colonies*, page 177.

trading with them. In this Mr. Hincks showed that he understood the temper of the mother country, for nothing has retarded the growth of the Imperial Federation idea in England so much as the existence of protective tariffs in the colonies. But apparently neither Lord Grey nor Mr. Hincks was aware of the strength of the protectionist sentiment in the colonies, or of the logical importance of the grant of responsible government. The colonies simply ignored the protests of the home government; and against their invincible determination—or, as the free traders at home might have said, against their invincible ignorance—the home government could not prevail, except at the risk of disorganizing the colonies altogether. The grant of responsible government carried with it the control of fiscal affairs according to their own ideas; and in the end the power of logic prevailed. In 1856 the principle was distinctly enunciated, in the revised edition of the "Rules and Regulations for Her Majesty's Colonial Service," that

the customs establishments in all the colonies are under the control and management of the several colonial governments, and the colonial legislatures are empowered to establish their own customs regulations and rates of duty;¹

and by an act of 1857 the powers of the self-governing colonies were further extended. The last episode in the struggle took place in 1859, when, on the motion of the manufacturers of Sheffield, the Duke of Newcastle protested against a new Canadian tariff. The rights of the colonies were finally vindicated by the memorandum of Sir Alexander (then Mr.) Galt, the Canadian minister of finance; and the broad principle he then enunciated has never since been questioned:

Self-government would be utterly annihilated if the views of the Imperial Government were to be preferred to those of the people of

¹1 Todd, *op. cit.*, page 178.

Canada. It is, therefore, the duty of the present government [of Canada] distinctly to affirm the right of the Canadian legislature to adjust the taxation of the people in the way they deem best, even if it should unfortunately happen to meet the disapproval of the Imperial ministry. Her Majesty cannot be advised to disallow such acts, unless her advisers are prepared to assume the administration of the affairs of the colony, irrespective of the views of its inhabitants. The Imperial Government are not responsible for the debts and engagements of Canada, they do not maintain its judicial, educational or civil service, they contribute nothing to the internal government of the country, and the Provincial Legislature, acting through a ministry directly responsible to it, has to make provision for all these wants. They must necessarily claim and exercise the widest latitude as to the nature and extent of the burdens to be placed on the industry of the people.¹

This principle was finally sanctioned by the Imperial Parliament, in the British North America Act, 1867, § 91, which recognizes the exclusive legislative authority of the Parliament of Canada over all matters relating to "the regulation of trade and commerce," "the raising of money by any mode or system of taxation," and "navigation and shipping." Accordingly, when, in 1879, on the adoption of a highly protectionist national policy, the secretary for the colonies was invited in the House of Commons² to disallow the act, he declined to interfere, because the matter was entirely within the competence of the Dominion Parliament.

Down to the year of the appointment of the Marquis of Lorne (1878), instructions were issued to the successive governors-general to reserve for the consideration of the Imperial government any bills imposing differential duties; and the omission of the specific instruction in his case may be regarded as the close of this contention. One part of the contention had many years before been definitely settled in favor of the colonies—namely, the right to discriminate in

¹Canada Sessional Papers, 1860, No. 38.

²March 20, 1879, Todd, *op. cit.*, page 183.

favor of other colonies, subject always to the treaty obligations of the Imperial government; but the right, for which the colonies contended, to discriminate in favor of foreign nations has not yet been admitted—in form, at least. The contention arose from the position of distress in which the colonies found themselves, after the repeal of the colonial preferences in the English market. Lord Grey's dispatches (March 22 and November 8, 1848), instructing colonial governors, evidently have reference to differentials granted to the mother country and are inspired by all the fanaticism of absolute free-trade doctrine. The reply to the address which the Assembly of New Brunswick made to the Queen, on the subject of the repeal of the Navigation Laws, contains the suggestion that the North American colonies were at liberty to place intercolonial commerce on the footing of the coasting trade (to which foreigners were not admitted); and the Assembly responded by a request to be allowed to do so, preparatory to a demand on the United States for reciprocity. But, in spite of this admission of the principle and in spite of their own suggestion, the Imperial government continued to interpose objections and difficulties regarding intercolonial reciprocity. The objections were based on an incorrect reading of the terms of certain treaties; and the home government claimed that the mother country alone, of all the nations of the earth, would be excluded from the operation of the reciprocity treaties. Despite these objections, however, partial facilities were from time to time granted; and before the formation of the Confederation in 1867 the British North America colonies were more or less granting reciprocal concessions to each other. The question was settled, so far as Canada was concerned, when the American colonies entered the Confederation; but in 1868, before Prince Edward Island had entered the Dominion, the problem again came up for discussion. The newly formed Dominion admitted certain

articles duty free from Prince Edward Island, and in return Canadian breadstuffs were admitted free into the island. The secretary for the colonies protested that this was contrary to the treaty obligations of the mother country; but Sir John Rose pointed to the precedent of an act of the old province of Canada, passed in 1850, permitting free entry of the products of other North American colonies—an act which was not disallowed. Again in 1860, as he reminded the colonial secretary, when it was proposed to extend existing arrangements so as to admit all articles of colonial growth and manufacture free of duty on reciprocal terms, although the Lords of the Committee of the Privy Council on Trade recommended that assent to this law be conditional on the granting of a like concession to all other countries, the Duke of Newcastle (February 5, 1861) was forced to admit that "they had no wish to offer any obstacle to any endeavours which might be made to bring about a free commercial intercourse between the North American colonies."

To the legislation of 1868, the Board of Trade (to which colonial commercial legislation is referred by the colonial secretary) objected that the differential duties must be extended to all countries having "a most favored nation clause" in a treaty which extended to British possessions as well as to the United Kingdom. The ultimate result, they said, might be

that British produce, *i.e.*, the produce of the United Kingdom and of British possessions not situated in North America, will be the only produce which is shut out by differential duties from consumption in Canada.

The colonial secretary was, however, fain to content himself with the hope that,

if ever the products referred to in the sixth section of this act are

admitted free of duty from the United States, a similar immunity will be extended to the same products of the United Kingdom and of all foreign countries.¹

Thus the Board of Trade was discomfited, and the question of intercolonial reciprocity was settled—at the time for Canada, but constructively for all self-governing colonies.

The other colonies were not long in claiming a similar privilege, though they have not yet agreed to act upon the permission which was a few years later (1873) granted to them. In 1870 the Intercolonial Free Trade Act passed by the legislature of Tasmania was disallowed;² and in the following year the Australasian colonies—New South Wales, Tasmania, South Australia, Victoria and New Zealand—made formal application to be allowed to establish a commercial union. They joined to this application a request that no treaty should be concluded by the Imperial government with any foreign power which should conflict with the exercise of intercolonial reciprocity, and that Imperial interference with intercolonial fiscal legislation should cease. The colonial secretary apparently dodged the main issue, and insisted that “the constitutional right of the Queen to conclude treaties binding all parts of the Empire cannot be questioned”; although he seemed to admit the power of the colonial parliaments to make the treaties a dead letter, so far as they were concerned, by refusing to pass the laws “which may be required to bring such treaties into operation.” The Australasians were not satisfied with this answer; and a colonial conference, at which Queensland and Western Australia were also represented, was held at Sydney in February, 1873, to urge the necessity of the removal of all Imperial restrictions on intercolonial free trade. The colonies had their

¹ Canada Sessional Papers, No. 47, 1869.

² Todd, *op. cit.*, p. 127. The Australian colonies were precluded, by the Constitution Acts granted to them, from entering into differential tariff agreements with each other or with any other country.

way, as the colonies generally have ; and the Australian Colonies Duties Act (1873) was passed, which granted

full power to each of the colonies concerned to make laws, imposing or remitting duties whether differential or preferential or otherwise, for or against one another. It also extends the powers of the colonial legislatures in Australia to regulate the duties on the importation of articles not the growth, produce or manufacture of Australia or New Zealand. But it retains the prohibition against differential duties on goods imported into the colonies from foreign countries or from Great Britain.¹

The latter prohibition, against discriminating in favor of the mother country, continued in force till the denunciation of the German and Belgian treaties in 1897.

The colonies are not yet free to impose differential duties so as to confer exceptional advantages upon foreign over British trade, and they may not use their liberty to the direct injury of British commerce. That much, at least, is involved in the idea of empire ; and the mother country claims—and is likely to have her claim always allowed—to be entitled to the most favored nation clause. This right has never been seriously questioned, though in 1854 it was by mutual consent ignored. The repeal of the colonial preferences in the English market and of the Navigation Laws² had wrought so much distress in the colonies that it was imperative, to use the words of the address adopted by the

¹ Todd, *op. cit.*, pp. 195-197. Down to the year (1880) of the publication of this work, at least, the governors of the Cape of Good Hope and of South Australia were instructed to withhold assent from all bills imposing differential duties (other than as allowed by the Australian Colonies Duties Act of 1873) ; and in form, at least, they were unable to grant differentials to non-Australian colonies, till 1895 (58 Vict. c. 3), when the restriction was removed.—Todd, *op. cit.*, page 132.

² The repeal of the Navigation Laws was a grievance in the seaboard colonies only. The old province of Canada gained little from the restriction and was debarred by it from taking advantage of her "opportunity for securing for her vast system of inland navigation the great and growing carrying trade of North-western America" ; and in 1848 numerous petitions for the repeal of the Navigation Laws, so far as they applied to Canada, were sent to London.—Todd, *op. cit.*, page 179.

New Brunswick Assembly in 1850, that they should "obtain the open ports and the unrestricted coasting trade of the American Union";¹ and accordingly in 1854 Elgin's Treaty was negotiated. The difficulty about discriminating against the mother country was not raised, partly owing to the necessities of the colonies and partly also to the fact that it was a discrimination in name only, for the reciprocity was confined to certain natural products which the mother country did not export.² This concession would have formed an admirable precedent for a more extended treaty, had such a precedent ever been sought; but Canadian *official* negotiations with Washington have always been based on the terms of the treaty of 1854—reciprocity of natural products. When the Liberal party in Canada adopted the program of unrestricted reciprocity, there were not wanting those who denounced this last right of the mother country to rank as a most favored nation. That unrestricted reciprocity would practically, as well as nominally, have discriminated against the mother country, cannot well be denied; and those who advocated it had to fall back on the argument that it was a matter of indifference to England whether her goods were excluded by a tariff framed at Washington or at Ottawa, and that England would gain an increase of trade from the greater prosperity of the Dominion of Canada, resulting from reciprocal trade relations with the United States.³ The movement for unre-

¹ Journals of New Brunswick House of Assembly, April 25, 1850.

² "In 1854 the treaty known as the Reciprocity Treaty was finally concluded, admitting certain natural products of each country free into the other, without any qualification as to the differential or discriminating character of its provisions."—Confidential report to Governor-General for transmission, made by Sir John Rose, September 3, 1868, Canada Sessional Papers, No. 47, 1869.

³ See the speeches of Sir Richard Cartwright and others in Canadian Hansard, 1890, I, 144-646. Informal negotiations between Canada and the United States were broken off in 1892, because the Canadian delegates were not willing to discriminate against the mother country; and on the protest of Canada, when the Newfoundland government proposed to pass legislation to carry out the convention of 1890 with the

stricted reciprocity now has few adherents in Canada; and the right of the mother country to at least the treatment of the most favored nation is supported by the practically unanimous conviction of the Canadian people and, while the present Imperial temper lasts, is not likely to be called in question.

The several commercial concessions made to the colonies during the last half century were invariably qualified by a clause respecting the treaty obligations of the Empire. A colony, however free and independent, is bound by all Imperial treaties, unless specially exempt from their scope; and before the days of colonial freedom the Imperial Parliament had entered into treaties which bound the colonies not to discriminate in favor of the products of the mother country. The last phase of the colonial struggle for commercial freedom has been the effort to secure the following concessions: (1) That the colonies should not be included in commercial treaties without their own consent; (2) that in the framing of treaties directly affecting their interests they should be directly represented; and (3) that all past treaties which restricted the action of the colonies in working towards an Imperial customs union should be denounced.

The first two rights were readily yielded. They were so obviously the logical outcome of the control of their own fiscal affairs that they had but to be demanded to be conceded. When the Canadian government informed the colonial office that thereafter (March 26, 1881) it desired to be informed

of the inception of any new treaty, and that in future no stipulation binding upon the commerce of Canada should be introduced into

United States, the colonial secretary (March 26, 1892) assured the Dominion government that legislation discriminating against Canada would be disallowed.—Lord Ripon's Despatch to Governor-General of Canada, June 28, 1895; Canadian Statistical Year Book, 1894, page 309.

any treaty without reserving to the Canadian government the option of acceptance or refusal,¹

it was perfectly natural that Lord Carnarvon should agree that a new clause should be inserted in all treaties thereafter concluded, to the effect that no colony was included except at its own option. As regards the second demand, while, of course, no colony could enter into direct negotiations with an outside power, the difficulty was got over by naming colonial statesmen as Imperial representatives for the negotiation of treaties peculiarly affecting colonial interests.

Thus far there was no difficulty; but when it came to the denunciation of treaties then in force, the interests of the mother country were directly involved. To denounce the treaties, it was feared, might derange English trade with important customers—and that without immediate prospect of any compensating advantage. The colonies did not show any great desire to favor English goods and had all, with one exception, discriminated against her manufacturers in favor of their own. Therefore, until a *quid pro quo* was offered in the shape of an actual discrimination in her favor, public sentiment in England did not call for the denunciation of the treaties. The colonists proceeded in the wrong way to achieve their end. An Imperial customs union meant for them a discrimination in the English market for colonial goods, for which they were willing to pay the price of granting English goods a differential. They protested against the treaties, because these stood in the way of their ultimately obtaining privileges for which they could concede none; and English sentiment naturally remained unaffected.

The treaties which stood in the way were the treaty with Belgium of 1862 and that with the German Zollverein of 1865. These stood upon a special footing.

¹Canadian Senate Hansard, 1891, pp. 613 *et seq.*

The ordinary most favored nation clause in various treaties between Great Britain and foreign powers would not preclude the conclusion of special preferential arrangements between the colonies, or between a colony and Great Britain. As against foreign powers, in the absence of specific provision, the Empire is a whole or a unit, within which any fiscal arrangements may be made without infringing the concession involved in that clause.¹

While these treaties did not prevent differential treatment by the United Kingdom in favor of the British colonies, or differential treatment by British colonies in favor of each other, they did prevent differential treatment by British colonies in favor of the United Kingdom, without extending the same concessions to foreign contracting powers. Thus, by the operation of the most favored nation clause in other treaties, they admitted all the nations with which the United Kingdom had commercial treaties. Their existence was, then, an obstacle to an Imperial customs union. These treaties were passed during the period when colonial interests were being treated with unsalutary neglect;² and Lord Salisbury admitted some years ago that no reason had been given—or could be found—for the permission given to a foreign power to interfere in what should have been the purely private affairs of the empire. But, however the clauses had come to be inserted, there they were; and they effectually barred the way to preferential treatment of the mother country by the colonies. They not only did this, but they also compelled the colonies to modify their fiscal legislation.³ But the de-

¹ Lord Jersey's Report to the Colonial Secretary on the Colonial Conference at Ottawa, 1894. This report and Lord Ripon's despatches are printed in the Canadian Statistical Year Book, 1894, pp. 270-310.

² Burke claimed that the colonies had prospered because they had been treated with "salutary neglect."

³ "We have already had to modify our legislation, in a way which we ourselves did not desire, in consequence of these treaties." (Sir John Abbot, in Canadian Senate, September 25, 1891. Senate Hansard, 1895, page 613). The German government had protested against the inclusion in the invoice price at Canadian ports of freight charges on German goods to the United Kingdom which were reëxported from England to Canada.

nunciation could come from the Imperial government only ; and, while the commerce of the United Kingdom with Belgium and Germany would be exposed to risks, and " would have to be carried on under fiscal conditions subject to constant changes and fluctuations, or, at all events, without that permanence and security which is of primary importance to successful and profitable interchange," on the other hand, no scheme had been proposed which foreshadowed " any precise advantages to be secured to the export trade . . . from the United Kingdom to the colonies in the event of the termination of these treaties."¹

The Canadian preferential tariff of 1897 changed all the conditions. A " precise advantage " was offered, and the loyal sentiment of the year necessitated England's acceptance of the offer. Whether the Canadian government was correct in its contention that the concessions granted were not gratuitous but were a return for concessions already made by the mother country, and therefore did not come under the interpretation of the most favored nation clause, need not now be discussed. It is obvious, as Sir John Abbot foresaw in 1891, that such an interpretation would have led to litigation ; and the British government wisely cut the knot by denouncing the treaties.

The last restriction on the colonies was thus removed. Their right to be considered in the making of treaties had already been granted. The right to say whether they would be bound by treaties contracted before they had obtained the former right, was conceded by the denunciation. Lord Jersey, in his report of the colonial conference, had suggested that an additional article should be included in all British commercial treaties, enabling " any colony to withdraw from the treaty at the date when it is terminable " ;

¹Lord Ripon's Despatch, June 28, 1895.—Canadian Statistical Year Book, 1894, page 305.

but the action of the Imperial government, by practically admitting the right of colonial initiative in Imperial affairs, had advanced matters further than Lord Jersey had ventured to suggest.

The restrictive commercial system has narrowed down to the following minor points : The mother country claims to be included as a most favored nation in all treaties contracted on behalf of the colonies ; the colonies cannot disregard the Imperial obligations, by discriminating in favor of one nation and against another, when the mother country has with the excluded foreign state commercial treaties containing the most favored nation clause ; no colony can endeavour, in direct or indirect negotiation, to obtain an advantage at the expense of any other part of the Empire ; and finally, in

the case of preference being sought by or offered to the colony in respect of any article in which it competed seriously with other colonies, or with the mother country, Her Majesty's Government would feel it to be their duty to use every effort to obtain the extension of the concession to the rest of the Empire."¹

These seem to constitute the minimum of empire. They might be conceded, if demanded ; but the concession would be equivalent to breaking up the Empire into a number of independent states—a result which none of the colonies in any measure desires.

¹Lord Ripon's Despatch, Canadian Year Book, page 310.

CHAPTER III.

COMMERCIAL FEDERATION.

WHEN Prince Bismarck declared in 1884 that it was not provinces but commercial undertakings¹ he set forth not only the intention of the German Government but the motive of all colonisation and the ideal of colonial policy of all nations. This is the one permanent colonial problem—how to raise up a nation of customers. Other problems have attracted attention and have been solved or disappeared naturally in the development of history. Indeed, nothing is so remarkable in the history of colonial policy as this fact of the complete disappearance of so many of those problems on which the fate of our colonial empire seemed to depend, and about which whole generations of men have vexed and agitated themselves. Men used to grow heated over the pro and cons of responsible government, of penal settlements, and systematic colonisation and state aided emigration, of land grants and the treatment of natives. Yet these questions are all dead issues. Some of them have solved themselves and other have been solved by contriving to shift the responsibility from the Imperial Government to the colonial administrations. These questions, if they remain questions at all, are no longer problems of colonial policy but problems in the domestic politics of the colonies. The land question, which so interested Wakefield and his fellows, was transferred to the colonial legislatures, and has there, the theorists to the contrary, been settled satisfactorily, to the colonists at least,

¹Dawson: Bismarck and State Socialism, page 151.

in the way best fitted to promote the growth of the colonies ; and the treatment of the natives by colonial governments has been, at the worst, as satisfactory as it was while the Imperial Government was worried by the Nonconformist conscience. Canada, for instance, has no cause to be ashamed of her treatment of the Indians if comparison must be made with the policy of the Imperial Government on this question. Whether, settled or not, these are no longer questions of colonial policy.

But there is one question of colonial policy whose interest is perennial. It has never been satisfactorily solved ; and it cannot be devolved upon the colonial legislatures, because it cannot be treated as a problem of domestic interest of any one colony or group of colonies. This is the question of the commercial relations of the colonies to the mother country and of the mother country to the colonies. Each generation has had its own solution, but the problem is still unsolved and still pressing for solution, and still apparently as far from solution as ever. Various policies have been adopted, varying from absolute monopoly to the absolute freedom of indifference on the one side, and from high protection against the products of the mother country and even quasi discrimination against her to preferential treatment on the other. These policies can hardly be said to have been suited to the generations which adopted them ; and they have never satisfied the generations which followed. This problem has been for four hundred years before the minds of those statesmen who have concerned themselves with over-seas expansion. In the charter which Henry VII. granted to the Cabots traces of it appear. It was the object of the old colonial policy which ended in the disruption of the empire. Commercial considerations determined the attitude of the Little Englanders and commercial considerations animate the Federationists of to-day. Mr. Chamberlain, like Henry VII., dreams of un-

developed resources and hopes to exploit them on behalf of the mother country. The commercial relations of the various parts of the Empire has been the dominant idea in times of expansion, of disruption, and of consolidation ; and the problem still demands solution. It cannot be set aside ; and to-day, notwithstanding the growth of imperial sentiment and the realisation by the colonies of their imperial heritage, it may still be said that the future of the Empire depends on the solution of this question.

The present practical importance of the problem is due to the renewed interest which the predominant partner is taking in it. The cosmopolitan indifference which the mother country has for nearly half a century shown towards the commerce of her colonies has given way ; and in a few short years there has not only been a revival of interest in the commercial aspects of colonial policy, but also a remarkable ripening of opinion regarding the possibility of finding a solution of the difficulties. The change has not been in the attitude of the colonists. There are still living those who remember the palmy days when Canadian lumber had a preference in the English market ; and there has been a continuity of opinion in favour of a return to that side of the colonial policy which benefited the colonies. For a time the effects of the Reciprocity Treaty of 1854 were such as to remove the most powerful causes of discontent at the change ; but the repeated failures to get that Treaty renewed in some shape or form, and the economic effects of the National Policy, which, by restricting purchases also restricted the sales of Canadian produce, again turned colonial attention to the market which a fiscal preference had once made their own. Without realising how profound a change had been effected in English policy by the simplification of the tariff, the colonists naively demanded that the new policy should be set aside or so modified as to suit colonial interests. They had

no conception how irritating such a demand was to those who thought that England's prosperity dated from 1845, and there certainly was no intention of adopting a "stand and deliver" attitude towards the English consumer. It has been said that England lost half of her colonial empire because she persisted in taxing her colonists, and was like to lose the other half because she would not allow her colonists to tax her. This could be said from the English point of view only. The colonists not only had no conception of demanding concessions in return for their loyalty to the Imperial connection ; but it never crossed their minds that such an interpretation could be placed upon their demands. The irritation was perhaps natural enough upon the part of the mother country which had made visible sacrifices for her colonies and could see no visible advantages which protectionist colonies conferred upon her ; but it cannot be too often repeated that the colonists intended neither to irritate nor to threaten.

To the colonist the demand seemed to involve nothing more than a modification of the tariff such as he was annually accustomed to. In the colonies there was practically no free trade principle. A party in opposition might adopt free trade as a party cry ; but the individual members of the rank and file of the party had no understanding of what the policy involved and no hesitation in modifying their platform when they came into office so as to preserve a continuity of protectionist policy. Those who expected that the Liberal party in Canada after 1896 would redeem their pre-election promises were quickly shown how baseless their expectations were. The hope did more credit to their belief in the consistency of politicians than to their own insight into the political and financial conditions of the country. For while it remained necessary to raise the greater portion of the revenue by customs taxation no colony could possibly be other than protective in its fiscal policy.

So to the colonists, to free trader as well as to protectionist, the question was one simply of tariff manipulation and the persistent refusal of the mother country to make such a trifling modification of her tariff as the imposition of a five per cent. duty on non-imperial products would have involved, was but another evidence of the survival of the little England spirit.

As a matter of fact the refusal was simply the assertion of the predominant partner that she was entitled to the same freedom to manage her own tariff policy as the colonies had quarter of a century before asserted for themselves. Britain was as much entitled to adopt free trade as the colonies had been to adopt a protection tariff. To the mother country a five per cent. preference to colonial products was a difference of kind, not of degree, as it would have been in the colonies ; and she was of the sentiment of Mrs. Easy when the nurse excused her illegitimate child on the ground that it was only a little one. No English statesman could regard the question as the simple matter it appeared to every colonist. It involved an abandonment of principle or rather the modification of a policy which success had crystallised into a principle. The colonial demand seemed to those responsible for British policy to be of the same character as the demand which a heavy drinker might make of a total abstainer, in the interest of harmony of life and principle, to split the difference and come to a compromise at two glasses a day. It was in the circumstances not unnatural for English Free Traders to imagine that the colonists were attempting to drive a bargain for their loyalty, and somewhat curtly to remind the colonist that the English *quid pro quo* had long since been paid over.

For a generation the question remained in this region of misunderstanding. But of late years there has come more understanding on the side of the mother country at least.

The colonies have partially shown that they understand the position of the mother country and the course of events in the industrial world have led many at home to remember that Free Trade is after all a policy only. How far this better understanding has been helped in the mother country by the re-appearance of those economic conditions which produced the mercantile system we need not consider at length. There can be little doubt that the United Kingdom became a Free Trade country because the old ideas of relative advantage had lost all their importance. The absolute advantage for which she willingly sacrificed the niggling devices of the mercantile system remained hers for nearly three-quarters of a century. But naturally she could not always retain her position of absolute and unquestioned industrial supremacy. She had a long start but the United States and Germany during the last quarter of a century have been making rapid strides and capturing certain branches of English trade. "Made in Germany" has even become the subject of a searching of heart and alarmists have spoken of the decline and fall of England's industrial supremacy. In the nature of things this renewal of competition was to be expected; and it need not be the cause of alarm. It is only once in a lifetime that one can be twice the age of one's younger brothers, and though the relative advantage may grow less, may indeed at certain points disappear altogether, the absolute advantage may remain. But the re-appearance of competition has bent, not policy but, some opinion back from considerations of plenty to considerations of power; and mercantile ideas are beginning again to find expression. War and commerce are again spoken of in the same breath. We hear more of the resources of the Empire, of trade and the flag and the commercial advantage of expansion; and in Mr. Chamberlain we have just such another statesman as Adam Smith so vehemently denounced more than a century ago.

This change of conditions may not have made the fallacies of Fair Trade less fallacious but it certainly makes them more popular ; and there may be a growing minority ready to coquet with protection. The strength of this minority is certainly overestimated in the colonies, perhaps also at home. A momentary irritation at the capture of the English market by certain goods made in Germany or at the invasion by the United States of markets which the English manufacturer has come to regard as his preserve, may lead some men to blaspheme against Free Trade ; but is not likely to lead them deliberately to vote against it. They complain of its drawbacks as they complain of the weather. And it certainly remains true that the party which proposes to lay a tax on the people's bread whether to aid the colonies or to benefit the land-owner has an uphill fight to make with little prospect of victory at the end. The situation would invite the "picture politics" of the great and the little loaf and a cartoon has ere now decided the direction of English financial policy.

The change of sentiment, however far it might lead the English electorate, is fortunate in one way at least. It has rendered possible an unprejudiced discussion of the whole question of commercial federation ; and has convinced the colonies that England's adherence to Free Trade is not a matter of abstract or book principle, but a matter of financial and industrial expediency, which, when you come to think of it, is the only intelligible principle in tariff legislation. The colonies could understand why England's conception of her commercial and industrial interests might stand in the way of federation ; but the appeal to a book principle which they neither understand nor appreciate served only to irritate. There have been many misconceptions of what free trade is, but the strangest of all is, that a *pis aller* policy like Free Trade should be regarded as a sacred principle for which men and nations should be prepared to testify. What Eng-

lish statesmen object to is discussing annually a question which had better be settled wrongly than annually unsettled. They think that the burden of the proof lies on those who would disturb the *status quo* and they are not ready to take every random expression of discontent as a proof that a policy, justified by half a century's expression, should be reversed. In commercial federation we may or may not have a reason for disturbing the *status quo* and many Free Traders have expressed their opinion that an intensive is preferable to an extensive cultivation of Free Trade. The important point, however, is that commercial federation seems, to a large and a growing section of the English electorate, to be a end great enough and worthy enough to lead to a partial reconsideration of a *pis aller* policy.

A more important influence producing this change of English sentiment was the Canadian preferential tariff of 1897. The revival of mercantile ideas is after all not of much positive importance for the development of a sound colonial policy. For it is only by confusion of thought that the victims of mercantilism imagine they are in favour of colonial development. Mercantilism wrought its perfect work on the colonies in the 18th century and would go as far again in the same direction as it dared. But the Canadian preferential tariff appealed to a more influential section of the nation. It influenced those who were adherents of a policy which had led to the development of the colonies in the past but now was in danger of becoming an obstacle to their further development. The majority of the people of the United Kingdom were in favour of granting the colonies the most absolute freedom to manage their own affairs, but the same majority suspected that the colonies had designs on the freedom of the mother country. The value of the Canadian preferential tariff consisted not in the amount of the preference given, for, as the event has shown, the volume of British exports to

Canada has not materially increased ; but in the conviction which the manner of giving inspired in the minds of the people in the mother country. The English public had acquiesced in colonial protective tariffs which treated English goods as badly as the goods produced by foreign nations while at the worst England's Free Trade tariff only treated foreigners as well as it treated the colonists ; but it took all Sir Charles Tupper's eloquence, during many years of his residence in England, to remove the false impression that Canada in fact, if not in name, discriminated against English goods in favour of the products of the United States ; and to all his charming in the direction of a differential duty on foreign grain they turned an absolutely deaf ear. This to their minds was simply another colonial raid on the imperial pocket. They were not prepared to make a profound change in their trade policy to secure the possibility of some trifling change being made in colonial tariffs. In spite of suggestions and appeals, they were not by any means so ready as many colonists thought they should have been, considering their imperial responsibilities, to enter into negotiations for a settlement of this problem of commercial relations. As a matter of fact they were tolerably well content with things as they were, and saw no reason why they should court change to suit those who were discontented.

The Canadian preferential tariff had the effect of changing all this. It abandoned the colonial attitude of waiting for England to make the first move. It was not a proposal for negotiations but a definite concession with which there was coupled no sinister demand for a *quid pro quo*. To many Canadians it seemed then, and seems still, to have been a grand mistake not to make the concession the basis of negotiations, and there have not been wanting those who declare that Sir Wilfred Laurier was false to the interests of Canada when he failed to demand a reciprocal concession and still

more when he later repudiated the idea of making such a demand. This feeling is not confined to his political and outwitted opponents. Many of his supporters who are in party bound to defend his policy in public, do not hesitate to express in private their regret that their leader failed to take advantage of his undoubted opportunities. It seemed so natural to strike while the iron of British prejudice was at the white heat of the Jubilee year, and reap the full advantage of the sentiment which the Canadian offer evoked. He had placed himself on record as being in favour of preferential treatment in the English market and it seemed the very refinement of punctilioiusness not to ask and receive at such a time what he, and every Canadian, wanted, and not an Englishman of them all would at that time have refused to grant. Lewd politicians of the baser sort have suggested that it was the prospect of the Cobden Club medal that made him thus betray the interests of Canada!

Yet it should not be difficult to see, except for the most prejudiced of his opponents, that he did not betray the interests of Canada unless it can be shown that the interests of the Empire and the interests of Canada are opposed to each other. He may in that case have been false to the interests of Canada but he was true to the interests of the Empire. A reciprocal concession might have been made in the haste of sentiment to be repented of in the leisure of experience. Sir Wilfred Laurier showed good taste as well as good statesmanship in refusing to take advantage of a Jubilee enthusiasm. He very wisely consented to wait England's own time. To have rushed matters then would have been detrimental to the interests of the Empire. It would have created within a few months a party in English politics hostile to the colonies, which is the very last thing an imperially minded statesman would desire to create. Practically by his attitude he said: Here is our concession. We leave it to your good sense and

discretion what return you shall make for it. We give freely and we ask nothing. We have received freely from you in the past. This is the beginning of the return which the eldest daughter of the Empire makes. You know our desires and our aspirations but take your own time and manner.

Nothing from an imperial point of view could have been more fortunate than such a course. It disarmed suspicion. It converted the English by platoons and battalions to the idea of Commercial Federation. It gave Canada a position in the councils of the Empire which nothing else could have done. It may have delayed the satisfaction of Canadian desires but it made the achievement of the purpose more secure in the end.

There was also one direct and tangible result of the concession. The German and Belgian treaties, against which the colonies for nearly half a century had raged in vain, were denounced and the way towards commercial federation of the empire was opened up. The arguments which had seemed so conclusive and so valid reasons for inaction, as recently as 1894, when the Colonial Conference at Ottawa desired the denunciation of these treaties were swept aside. But the principal result must be sought in the change of English sentiment of which the denunciation of the treaties was a sign. As yet England has done nothing to match the Canadian concession; and there has even been a disposition to act as if nothing more need be done. Some writers seem to see the required quid pro quo in the increased English purchases of Canadian produce. But that is not a sufficient, or any kind of return. From such a point of view the preferential tariff has the reward of a skilfully planned advertisement. But it was not intended as an advertisement and indeed the increased purchases of Canadian produce are due to the long continued and well calculated advertising which the Canadian agricultural department and the High Commissioners' staff

have carried on for years. The preferential tariff was a contribution to Imperial unity, and those who see in increased sentimental purchases an adequate return for the Canadian concession have little knowledge of what the colonies hope. So far indeed no other concession than this has been made; but it stands with English honour that some adequate return should be made.

There should be no doubt of what the colonies desire. Three years have passed without a sign and many are growing impatient. But there has been no abatement of the desire. No Canadian would dare to say he did not desire a preference in the English market and no one is likely to say it. The only difference is that many are tired waiting for England's own time, while others still have confidence, or say they have confidence, that the mother country will sooner or later see her way clear to make the necessary concession. Should England make no effort to carry out her side of the implied obligation there would be great disappointment in Canada and the event would be fatal to the prestige of the party which did not exact terms when it might have exacted them without difficulty. The Conservative party in Canada oscillates in this matter between a sneer at a fraudulent concession which does not mean increased British imports and a denunciation of the Liberal party as traitors to the interests of Canada—positions which are hardly consistent with each other, unless it be taken for granted that a fraudulent concession should have been made the basis of a demand for a real preference in the British market. But it is firm on this point that a concession is due from the English people; and the Liberal party which still professes confidence in English sense of honour is equally positive and convinced that in time the proper return will be made.

The action of the mother country in this matter is not merely a Canadian question. It is one in which all the colo-

nies are interested. While no one of them would care to adopt the abandoned position and try to extort a concession in return for a concession, the fact that England had made no return and was prepared to make none would have a large influence on their course of action. Increased purchases will not be regarded by any colony as England's equivalent. Nor will it do to point to England's expenditure on commerce and defence of which the colonies have the benefit. Gratitude, in politics at least, is a sense of favours to come; and in any case the question of defence stands by itself and is a problem for which, as the events of last year showed, a solution is being found.

The inaction of the mother country is fortunately not due to any lack of appreciation of the preference offered. Criticism on that score has been confined to quarters from which criticism can come without a breach of good taste. It is perfectly open for Canadians to point out that the concession has not been followed by any tangible results for British trade. There has been no proportional increase of imports into Canada from Great Britain; and Canada has largely increased her purchases from the United States and even from Germany. This is fair enough criticism, but those who make should remember that the *quid pro quo* is still to be obtained, and is not likely to be so substantial as it would be, had the impression not been created that the preference, if not fraudulent, is more in name than in fact. The effects on trade are what might have been expected and an anonymous letter writer to the *New York Sun* in June 1897 pointed out that the so called preference would not materially affect American trade with Canada. Great Britain and the United States are as Sir Charles Tupper used to show, in no real sense competitors for the Canadian market. The bulk of what Canada buys from the United States she could not buy from Great Britain; and the increased imports from the United States

under a tariff which gives a preference to Great Britain are due to the revival of industrial activity in Canada. The real competitor of Great Britain in the Canadian market is Canada herself. Textiles form more than half of the Canadian imports from Great Britain ; and except in cottons the quantity of textiles imported from the United States are negligible quantities. But the output of Canadian mills far exceeds the imports of textiles from Great Britain. In 1891 the output was nearly 17 millions of dollars and the imports from Great Britain in the same year (and since then there has been a marked decrease) amounted to 11 millions only. The preference to English goods was really little more than a slight diminution of the protection given the Canadian manufacturer against his English competitor. And this twenty-five per cent. reduction was not a clear reduction. The tariff rate was first of all raised ; and though the net result was a reduction it was not a reduction of twenty-five per cent. The rate on printed cottons was raised from thirty to thirty-five per cent. before the 'preference' came into play. The tariff gave the full twenty five per cent. reduction as against Germany and the United States whence there was no serious competition ; but the net result was a reduction of 3.75 per cent. in the preference which the Canadian manufacturer had enjoyed.¹ In fact the position of the English manufacturer in the Canadian market was not materially improved ; and increased imports were not to be expected, if the inevitable development of manufacturing in Canada had been taken into account.

This aspect of the preferential tariff may be confidently commended to the consideration of those English dreamers who look for an Imperial Customs Union on a free trade basis. Protectionist sentiment in Canada was so strong that even a Government, elected from a free trade platform, and

¹ *Hansard (Canada) Ap. 22nd, 1897, pp. 1197 et seq.*

in the enthusiasm of the Jubilee year, found itself compelled, in the act of conceding a 25 per cent. preference, or more properly a 7½ per cent. reduction of the protection duty, to take back with one hand half of the gift proffered with the other.

But the significance of the preferential tariff does not depend on the exact amount of the increase of Canadian imports from the mother country, and there has been no disposition to look at the question from this narrow point of view. The act was of cardinal importance in the history of colonial policy because of its influence of English opinion ; and makes the development of preferential relations within the Empire inevitable because it has opened the way for free and unprejudiced discussion of the problem. And the problem is of such complexity and involves interests so diverse and so immense that the fuller and freer the discussion the better.

Discussion of the problem has hitherto been too much at random and without an adequate recognition of the difficulties and of the limitations which these difficulties impose. The publication of Sir Rawson Rawson's *Synopsis of the Tariffs and Trade of the British Empire* might have been expected to dispose of some of the glittering generalities which have bewildered the mind. It ought to have led to a recognition of the fact that an Imperial Customs Union is, in the strict sense of the word, an impossibility for the British Empire. The German Zollverein had a great influence in creating the German Empire ; but the units of the British Empire are not in the same position as the constituent states of the German Zollverein. The German principalities were bound together by common economic interests and many of them were shut out from the sea. The interests of the various units of the British Empire are as diverse as their situations ; and the radical differences in their tariffs are the outcome of the striking economic differences between the units. There

may be more harmony of interest than the tariffs would lead us to conclude, and as some writers have endeavoured to show ; but it must be remembered that for all practical purposes the interests of the colonies must be allowed to be what the colonists think they are ; and their tariffs are the best indications of where they think their interest lies. The British Empire may come in the course of time to have a common tariff but it will come to this happy consummation as the result of its immemorial policy of groping from precedent to precedent and not by the adoption of a logical and elaborate plan of consolidation.¹

We may lay it down as a cardinal version of colonial policy that no portion of the Empire should be expected to sacrifice what it conceives to be its economic interests to promote the good of the rest. We have in the history of colonial policy too many disastrous instances of the effects of the opposite policy. Each unit of the Empire will jealously maintain its right to direct its own economic policy ; and it would only lead to misunderstanding and the straining of relations to invade the undoubted right of each to guard its own interests in its own way. We may further lay it down as a rule in the discussion of the question of commercial federation that, in view of this maxim of colonial policy, all proposals should follow the lines of least resistance. which in the present instance means that none should be put forward which calls for the abandonment of the traditional policy of any unit of the Empire except on its own initiation.

Practically all the proposals which have been made can be

¹"A few enthusiasts may have dreamed of or longed for a common British tariff. But they could have had but little knowledge of the difficulties which render such an agreement impossible while the present system of taxation exists throughout the Empire ; and the majority of those who desire a closer commercial union and believe it to be within the range of practical politics have a very indistinct knowledge of the interests with which they have to deal and of the obstacles they would have to encounter in coming to any adjustment which would be acceptable to the many members of Empire."—Rawson: *Synopsis etc.*, page 5.

reduced to one or other of two types—those which call for Free Trade within the Empire, leaving the further question of protection against outsiders in the obscurity of the background—and those which insist on discrimination within the empire in favour of its own members and against all outsiders, while to the suggestion of free trade within the Empire a negative, or at any rate no positive, answer is given. Both of these proposals offend against the cardinal maxim of colonial policy; and both of them, with singular futility, have sought the lines of greatest resistance.

The first of the proposed solutions is a purely artificial scheme which has been developed not to meet a demand but to overcome the objection which the British public seemed to have to the alternative proposal. There is no need to consider the further question whether it would be possible to obtain the consent of the Empire, and in particular of the predominant partner, to a scheme which involved protection, however slight against the outside world. For Free Trade within the Empire, the attractive aspect of the proposal is politically and financially impossible. The colonies, judging from the history of their relations to the mother country, and from their temper, would not for a moment consider a proposal which removed the control of their tariff to some common imperial Board of Trade. The outstanding feature of our colonial system is the jealousy with which the various members of the Empire guard their own independence of action. The interests of the different sections are not harmonious and each considers its interests best served when it looks after them itself. These interests seem to the colonies to demand a protective policy and even if it were possible to overcome the colonial prejudices in favour of protection, and against Free Trade, the obstinate fact remains that, while the financial conditions of the colonies remain the same, protection itself could not be got rid of. While for constitutional

or fiscal reasons the colonies are limited to indirect taxation as the source of revenue, their tariffs must be protective. It is a simple question in arithmetic what the average rate of taxation must be; and whether it be 16 or 20 per cent. it is alike protective. It is true that the colonies are not expressly limited to indirect methods of raising revenue. By the 91st section of the British North American Act the Dominion of Canada is given power to raise revenue by either direct or indirect taxation; and it has raised revenue by direct taxation. But practically the Dominion is barred from levying direct taxes. By section 92 of the Act the Provinces are restricted to direct taxation and it would be more or less an invasion of their sphere for the Dominion to levy direct taxes—a fact which is practically recognised. Indirect taxation must be levied largely on imports, and cannot when the volume of imports is small help being protective and protective to a very considerable extent. Even the late Lord Farrer recognised that the Free Trade in Canada was a financial impossibility; and what is true of Canada is more or less true of the other colonies. For many years to come it may safely be said considerations of revenue will stand in the way of a purely revenue tariff.

This academic proposal may therefore be ruled out of consideration. It offends against the cardinal maxim of colonial policy. The colonies are deliberately protective: it asks them to adopt Free Trade. It requires them to abandon the most fruitful sources of revenue and to surrender that independence which they so jealously guard. It is not in the line of least resistance for it embodies a policy which, however it might commend itself to the predominant partner, runs counter to the established trade policy of the colonies. The utmost length to which the colonies will go is to place, as Canada has done, imperial trade on a more favourable footing than foreign trade. Even from goods manufactured within

the Empire the colonies must seek to raise a revenue;¹ and in all cases the colonies are likely to insist on retaining control of their own policy.

There is nothing academic about the alternative proposal. It meets a strong colonial demand. One has to live in the colonies, or be a colonist, to realise how strongly their minds are set on obtaining this object of their desire. Canada, in particular, has been so insistent on this particular scheme as to give rise to the suspicion in some minds that her object is to secure through the agency of Great Britain that protection to agricultural produce which her own tariff can only pretend to yield. However that may be, there can be no question that the demand for preferential treatment in the English market is the strongest factor in colonial politics to-day. The colonists are passionately in earnest about this matter, in which they see their greatest possibility of development; and they unhesitatingly read into Mr. Chamberlain's phrases about the undeveloped resources of the Empire an acknowledgment of the justice of their claims.

This proposal requires as its initial step protection in the different markets of the Empire against outsiders. The further stage is not considered at all; and if we must consider it, the reasons why Free Trade within the Empire is impossible as the initial step towards federation are equally strong and valid against Free Trade as the second or the ultimate step in the same direction. To this proposal also we must apply the tests whether it leaves each unit in the Empire in full control of its own domestic policy and secondly whether it follows the lines of least resistance.

¹ The Canadian Finance Minister, through the Controller of Customs, claimed that the increase of the duties on printed cottons, etc., with which he prefaced the preferential tariff, was due to the necessity of raising a revenue somehow.—*Canadian Hansard Debates, 1897, page 1119*. The Hofmeyer proposal is simply the Canadian scheme shorn of its concession to Free Trade principle, and complicated by earmarking the proceeds of the 5 per cent. surtax on goods coming from foreign countries to provide a fund for Imperial defence.

Technically the proposal meets the first test. It leaves each member of the Empire masters of its own house. Canada has no less a control over her fiscal arrangements since the adoption of a preferential tariff than she had before, and Great Britain would be as well able to manipulate her tariff after granting a five per cent. preference to the colonies as she is at present. The change would come from her own initiation and would involve no interference of the colonies in the domestic affairs of the mother country. The policy involves neither a common treasury nor a common Board of Trade. The example of Canada is conclusive in this respect. Like an Imperial Postal Union an Imperial Customs' Union on these lines implies only concurrent action.

But it meets the test only technically. There are other ways of exercising control than by direct interference or physical and legal coercion. The mother country would not be free to abandon the policy after its adoption without evoking protests such as she would be unable to meet; and compulsion of a very forcible character might be brought to bear on her to adopt the change. And it is necessary to postulate that the proposal should be accepted freely and unreservedly and at her own initiative. Otherwise it does involve, not directly it is true, but still it does involve, interference with the internal freedom and independence of one of the partners of the Empire.

When we come to apply the second test whether the proposal follows the lines of least resistance, the policy most completely fails. It would be dogmatic to say that the mother country could not be brought to consider the suggestion; but it is at least true that nothing could be more problematic than the mother country's acceptance of it. It is idle, and worse than idle, for it raises false hopes, to point to the weakening of Free Trade sentiment in the United Kingdom. It is within the limits of human possibility that

in some constituencies a majority could be found for protection against goods made in Germany and elsewhere ; and in other places a candidate who declared in favour of a re-enactment of the Corn Laws might be victorious. But these two wings of a possible protectionist party cherish contradictory ideals, and would fall out as soon as they came to practical legislation. Moreover the English protectionist is not necessarily an imperialist, and indeed can only through confusion of mind be considered an imperialist. It would benefit the English landowner but little to shut out American competition to meet Canadian and Australian. The colonies claim that they are perfectly able to supply all the food that the mother country needs ; and if they are so able, without a rise in price, the British landowner is in no way better off. The 'made in Germany' protectionists would have very little sympathy with colonial demands. They would welcome a practical monopoly of the colonial market, but they would not handicap themselves in competition with Germany and the United States by demanding that the price of raw materials should rise. On the whole there is more hope that the mother country would be induced to make an economic sacrifice to secure a sounder basis for Imperial unity than mere sentiment, than there is that the growth of a protectionist party in England will secure the desired end ; and the colonists should govern their arguments accordingly.

The concession to the colonial demand must come as a spontaneous concession. If the mother country could only persuade herself to adopt the policy there would be no departure from the best traditions of colonial policy. But if the concession be made only to satisfy the importunity of the colonies, and against the protests of a large minority of the British electorate, then concession, however valuable it might prove to Canada or Australia or to all of the colonies, would from an Imperial standpoint be a retrograde step. It would

bring the colonies back into politics. It would create, as the old colonial policy with its reciprocity in disadvantage created, an English party pledged to restore to the English consumer his abandoned rights ; and the demand for justice to the consumer easily passes over into that ugly phase of public opinion which we know as little Englandism.

Even so short a length as the movement for giving the colonies a preference has gone, there are not lacking signs that the colonial question is being brought into the arena of party politics. Not the least of the services of Lord Rosebery to the Empire is that he made it evident that the colonies were not a subject of party disision ; and not the least of the disservices which Mr. Chamberlain, with his pushful diplomacy and his new protectionist schemes, is doing the Empire, is that he is forcing the colonies back into politics and making a party cry of an imperial heritage. If he is successful the blame will not be his alone. It will be equally the fault of the Liberal party if they allow his unscrupulous tactics to force them into such a hopelessly false position. But Mr. Morley and the '*Speaker*' as the organ of the anti Rosebery wing of the Liberal party seems to have hankerings after a purely negative little Englandism.

If the concession comes as a free will offering, after the mother country has been convinced that it lies with her interest to adopt a preferential tariff, the case would be very different. There would then be no danger of the colonies becoming a party issue in English politics. It would come with the triumphant approval of the inhabitants of the United Kingdom, and would form the beginnings of a new and permanent policy. Canada's concession was so made. No objection whatever was made to the principle. What criticism there was at the time, or has been since, was directed against the failure of the Canadian Government to make the concession the basis of negotiations. The concession itself

was approved from one end of the Dominion to the other. And on that basis only was it wise that such a concession should be made. On the same basis should a concession be made by the mother country or not at all; and such a concession only should the colonies desire. Either practical unanimity on the part of the English people or nothing.

We have still to consider what probability there is that the mother country will be led to grant the desired concession of her own free will and accord. The answer must be that in this shape and form there is very little probability that it will even be seriously entertained. The economic sacrifice demanded is too great. It is hardly worth while arguing with those who would have us believe that the preference will make no difference in prices. It is undoubtedly true that the undeveloped resources of the colonies are so great that they could easily, after a time, supply all the wants of the mother country; and the preference would do much to hasten the arrival of that time. But some time must elapse, however quick the development of the colonies—and that time will be long enough to allow a great reaction in public sentiment—and till that development has been secured prices will be higher. In fact, without a rise in price, the development of the colonies can not take place. The benefit to the colonies depends either on a rise of prices, or on which in the end is the same thing, a quasi monopoly of the home market. It is, therefore, hard to understand why there is so much desire to show that preferential trade will not cause a rise in prices, unless it be for the not very ingenuous purpose of hoodwinking the English electorate. It is true that the relation between wholesale and retail prices is not simple; and instances, temporary and event, might be quoted where retail prices have not followed wholesale prices. But when these instances are closely examined, it will be found that in nine cases out of ten they are instances of retail prices not falling

when wholesale prices fall. Retail prices usually rise when wholesale prices rise ; and import duties are generally borne by the consumer. Under certain hardly realisable conditions of demand, an import duty may be paid by the foreigner ; but these conditions are emphatically not present when the articles taxed are the necessities of life and of industry as they would be under a preferential tariff. If prices do not rise the benefits the colonies hope for can hardly be realised.

On the assumption that prices will rise temporarily at least, the sacrifice demanded from the mother country is greater than the colonists have any right to expect her to make. The most moderate and, indeed so far as I know the only proposal which condescends to particulars is the '*Statist*' proposal of Mr. Colmer of the High Commissioners office in London. A three per cent. tax is to be levied on a limited number of articles which compete with colonial produce. Some of these are food stuffs : others are the raw materials of industry ; and Mr. Colmer appears to regard the effect as trifling. Certainly no more moderate tax could be proposed ; and it is even doubtful whether it is large enough to give the desired preference. The disadvantages under which some of the colonies lie in the matter of transportation are too great to be offset by a three per cent. preference. Yet even this moderate tax involves enormously increased taxation. He argues, and many have used the same argument, that a tax of $\frac{1}{4}$ d., or at the most $\frac{1}{2}$ d. on the four pound loaf is not an alarming tax, and certainly not too much to ask a citizen of the Empire to submit to for such a desirable end. But such a method of calculating the burden of a tax is entirely fallacious. By a parity of reasoning a shilling in the pound is a low rate of income tax ; and as it would be, if one pound only had to pay the tax. But when the rate is levied on hundreds of pounds for many years the

tax would become so burdensome that English policy would be revolutionised. Similarly a tax of even one half penny per loaf may seem small when one loaf only is considered ; but the real burden of the tax cannot be estimated until we take into consideration the consumption of bread.

We can in a measure estimate the burden of a tax on food, but the effect of taxation on raw materials is not so easily calculated. It would probably be much greater than anticipated. Mr. Gladstone, in his Budget speech of 1860, did

“ Not hesitate to say that it is a mistake to suppose that the best mode of giving benefit to the labouring classes is simply to operate on (*i.e.*, to free from taxation) the articles consumed by them. If you want to do them the maximum of good, you should rather operate on the articles which give them the maximum of employment.”¹

To impose taxes on the raw materials of industry which give the working classes the maximum of employment would have the opposite effect of doing them the maximum of harm. But it is impossible to estimate how much sacrifice it would demand, though it is obvious that the sacrifice would be great.

It is easier to calculate the effects of the preferential tariff on food stuffs ; and the proposed tax on wheat, sugar, butter and meat alone, would amount at the least to more than fifty million dollars a year. Authorities on taxation are practically all agreed that an indirect tax is doubled before it reaches the consumer and on this assumption, or on Mr. Colmer’s own admissions, it would be possible to prove that the burden would be very much heavier.

The proposed duty on wheat is $\frac{1}{4}$ d. per four pound loaf. The consumption of wheat and flour in the United Kingdom is 354 lbs. per head, or about 90 four pound loaves. This

¹Buxton: *Finance and Politics*, Vol. I, page 210.

would be a tax of nearly two shillings per head, without taking into account the enhancing of the tax before it is finally paid. The proposed duty on meat is $\frac{1}{4}$ d. per pound. The average annual consumption, according to Mr. Mulhall's Dictionary of Statistics, from which these figures of consumption are taken, is 109 pounds. At a farthing a pound the increased taxation would involve an increased contribution to the revenue of two shillings and fourpence per head. The consumption of sugar, according to the same authority, is seventy-five pounds per head; and the proposed tax is one penny per twenty-eight pounds, involving a tax of threepence per head. The tax on butter, of which each inhabitant of the United Kingdom is calculated to consume 14 lbs., would at the proposed rate of $\frac{1}{4}$ d. per lb. imply a payment per head of three-pence half-penny. The total burden on these four articles of food alone—and Mr. Colmer's modest list includes a great deal more than these four articles—would amount to about five shillings per head. We have not taken into account the enhancement of price before the consumer finally pays the tax; but assuming that he pays no more than the nominal rate in the form of increased prices, he would pay at least five shillings per head. The population of the United Kingdom is 38,000,000, and the burden of even so slight a preference as three per cent. would give, would amount to nearly £10,000,000 or fifty million dollars. It would probably be much more even on these four articles; but that is the least it would be. Mr. Colmer proposes to remit the present duties on tea and coffee, and he anticipates that a certain amount of revenue would be collected on the food stuffs he proposes to tax. In that case the sacrifice demanded and involved in the taxation might be reduced to about forty million dollars per annum. And this is part only of the sacrifice demanded. Other food stuffs are to be taxed, and no account

can be taken of the taxation on the raw materials of industry.

The benefit to the colonies would need to be very great to justify them in demanding such a sacrifice ; and in spite of the conviction of the colonists that they would be enormously benefited it is doubtful whether the benefit would be as great as they imagine. The colonies are strongly protectionist in sentiment and policy ; and the aim of their policy is to build up manufacturing industry within their own borders. Yet preferential trade would undo much of the labour of the past quarter of a century. Manufactures would languish, not so much because of English competition, as because the labour and the capital of the colony would be diverted to the extractive industries, where there would be the prospects of higher wages and higher profits. By the natural process of trade and competition each colony would concentrate its energy on the production of raw materials, and "hewers of wood and drawers of water" the colonies would by their own acts most certainly become. Agriculture would flourish exceedingly, no doubt, and there would probably be a great influx of population to exploit the undeveloped resources of the colonies. But this prosperity could not be without its drawbacks. There would be a land boom and speculation everywhere ; and experience has taught us that a land boom generally has disastrous effects. The whole business of the colonies would rest on an insecure basis. Every enterprise and investment would depend on the continuance of English goodwill ; and in view of the sacrifice which the policy demands from England, there would, for a long time at least, be a danger of reaction in English politics. It is doubtful whether in the long run the colonies would be much better off than they are at present. Higher profits, due to the possession of a monopoly, might lead to wasteful and extravagant habits as it did under the old preferential tariff.

Both the proposals which have been made with a view to securing the commercial Federation of the Empire must then be rejected. They either involve interference with the internal liberties of the different units of the Empire; and assume that the very diverse interests of its members ought to be forced into harmony, thus violating the fundamental maxim of a sound colonial policy; or they demand sacrifices of some members, involving departure from established policy, thus acting along the line of greatest resistance and rendering the achievement of a most desirable end, difficult if not impossible.

But it does not follow because these proposals must be rejected that nothing can be done. We cannot go on in the present way. The demand for preferential treatment is the outcome of a wide desire to secure closer relations between different parts of the Empire. And since Canada has led the way in giving practical effect on her side to this demand, in some way or other the mother country must follow suit in doing her part. The end to be gained is not merely commercial. Closer and mutually beneficial commercial relations are as sure a way of strengthening political relations as any other; and since the grant of responsible government, perhaps the only way available for the mother country. It is a question simply which is the easiest, which is the most practicable, which is the way that leads most directly to the desired end. The colonies have been almost pedantic in their insistence that there is only one way of securing that end. They have ignored the difficulties which stand in the way of the mother country making the concession in the form and the manner they desire. They have asked her to reverse her established policy, and to sacrifice what for fifty years she has conceived to be her interest. The mother country has long since given up any desire to control the internal policy of the colonies. The

colonies have not yet learned that they, too, must show the same consideration. The course for the colonies to promote closer commercial relations is easy, for they have been accustomed to tariff manipulations. But the course for the mother country is not so clear.

The difficulties of the situation, however, are almost entirely the result of the rigid insistence on the part of the colonies on getting the kind of concession they themselves are able to give; and they have jeopardised their end by insistence on their own suggestions. What is essential to the colonies is that their goods should command the English market, that in some way or other they should have a preference. How that preference should be given is a matter of little importance to them so long as it is given. A preference may be given to the colonies in either of two ways —by making it harder for the nations whose products compete with colonial goods to get into the English market, that is, by discriminating against the foreigner, or by making it easier for the colonies to place their goods there, that is, by reducing the cost of transport, etc. There are two sorts of obstacles to trade, natural and artificial, those which men exert their energies to overcome, and those which they themselves create, often as they remove the obstacles placed by nature, the natural difficulties of distance and the artificial hindrances in the shape of duties. England refuses and is likely to refuse to create artificial obstacles. It is against her established policy and against her manifest interest. But she has no policy against the removal of natural obstacles, and it is in line with her interests to remove them. There is therefore no prejudice to be encountered in seeking to give the colonies easier access to her markets; and if she were asked to grant subsidies to freight steamers running between England and colonial ports, she could at least readily consider the policy. The required preference could

thus be given, following the lines of least resistance. Colonial development would be furthered, as much and as quickly, by cheaper freights as by a discriminating duty; and since the concession does but little violence to any British prejudice, and does no injury to British trade interests, it ought to be all the more welcome to colonies, especially as in this form it is likely to be permanent.

This form of concession would best serve the end to promote which commercial federation is sought. By improving communication it would bind the parts of the Empire more closely together. Commercial federation by means of improved and cheaper freights and communications! This proposal is not in the grand manner, but it is practicable. It violates no established policy which has not already been often set aside. The Imperial Government offered to subsidize the Canadian Fast Line, and made no pretext for the subsidy that it was necessary for the carrying of the mails or for strengthening the navy. It not only leaves the mother country free to control her own trade policy, according to her own conception of her interests, thus following the line of least resistance; but it would have the further effect of promoting British trade at a comparatively small cost.

If the concession in this form be not sufficient, there are a dozen other ways in which the policy can be carried out. Imperial penny postage we already have in part, and there are all British cable lines to be constructed, which are desirable for commercial as well as for military reasons. The present cable monopoly presses heavily on Australian trade, and the construction of Imperial lines would greatly strengthen and extend the hold the colonies have on the market of the mother country. Again the Imperial Government could assist in making colonial goods better known to the English consumer. Permanent colonial exhibitions

could be established at government expense in various centres of population. The improved consular reports might give information regarding possible openings for colonial as well as English products. The Imperial Government could make a point of buying its military and naval supplies so far as possible in the colonies. The restrictions which prevent trustees from investing trust funds in colonial government securities might be removed altogether to the advantage not only of colonial credit—and it should be remembered always that the apparently heavy debts of the colonies are, directly or indirectly, to a large extent first-class investments—but also to the advantage of the money market at home. Further the Imperial Government might within limits guarantee colonial government debts, and thus permit their conversion into 2½ per cents. It might even go further and make loans for the construction of great public works like the Canadian Pacific railway; which the late Mr. W. E. Foster considered a wise policy.¹ It might do more than it does to promote emigration, and divert to the self-governing colonies that stream of emigrants which the colonies grudge to see flowing towards the United States. What the colonies need above all is the surplus living capital of the United Kingdom. Without a great influx of population they cannot hope to develop the enormous national resources which they are only beginning to touch. It is true, as I have shown elsewhere, that immigration is a consequence rather than a cause of prosperity.² But in the case of the colonies every element of prosperity and development is present but the population to carry them forward. There might with great advantage to both parties be an imperial and colonial partnership in promoting emigration to the self governing colonies.

¹ Proc. Royal Col. Inst., Vol. XI, page 51.

² Davidson: *Bargain Theory of Wages*, c. vi.

These are not heroic measures, but they would secure the end in view. They have the further advantage that they cannot provoke retaliation. The preference they give to the colonies will be as real as the preference by discriminating duties. Foreign nations, however, will have no pretext for complaint. They may attempt to meet the competition of our colonial goods in the common market by subsidizing steamers to carry *their* products; but they will have to do so at their own expense, and most of them would have to subsidize British vessels for the benevolent purpose of making goods cheaper to the British consumer. This policy would have the effect of cheapening both food and raw materials, and would not reduce the power of the manufacturers in the old country to meet foreign competition. It would, therefore, be a permanent policy, because not likely to provoke a reaction. The cost would be plain and visible, and the incidence of the burden of the necessary taxation would be determined. The present system of taxation and trade policy would remain untouched. From the colonial point of view the preference in this shape would be more advantageous. It would produce no sudden boom. Development would be rapid but secure, and the goodwill of the English electorate, on which any industrial progress of the colonies that resulted from a preference would depend, would be practically assured; for the policy being in accordance with the principles, the prejudices, and the interest of the predominant partner would meet with her most emphatic approval.

The main question, however, is would it be effective? A policy may be good in the abstract, may be practicable for the giver but if it does not secure the desired end it is worthless. The concession is required to meet the colonial demand. Will a reduction in the cost of freights and an improvement of the means of communication be in any sense

an equivalent to a preferential duty? The colonies want the English market for themselves. Would this proposed concession give it to them. Mr. Colmer proposed a three per cent. preference, and even the most extreme colonial demand is for a five per cent. duty on foreign goods. Can freights be so reduced by means of subsidies so as to give an equivalent preference?

To ask the question is sufficient. It is hardly possible to over estimate the influence of the cost of transport and the existence of transport facilities in determining the course of trade. German trade is to a large extent due to the subsidies given to German shipping. The cost may be greater than the increment of trade is worth to Germany; but Germany does not think so. Transport and other trade facilities have given the United Kingdom, as compared with the United States, the trade of South America. In this case, there is no suggestion of a national preference for English goods. The question is one simply of the facilities afforded for transportation. There has been no subsidy to this branch of trade, ostensibly at least for trade purposes. But the trade goes to English harbours in spite of the greater distance which the goods must be carried. The greatest obstacles which the colonies have to face in the competition for the English market is the greater facilities of transportation which some of their rivals enjoy. The disabilities under which the colonies suffer on this account are greater than generally imagined. According to a well informed writer, Australia is at a disadvantage as compared with the United States in competing for the English wheat market of no less than seven shillings a quarter; and Canada, which is nearer by a thousand miles, is owing to the better organisation of freight service to United States ports, at a disadvantage of at least two shillings per quarter.¹

¹W. J. Harris: *The Commercial Advantages of Federation: Proc. Royal Colonial Institute, Vol. XIII, pp. 209-259.* Mr. Harris, from whose paper the writer

This lack of oversea transportation facilities not only handicaps the colonies in their competition, but by diverting a portion of their trade to United States ports for shipment, reduces the earning powers of their railways, and renders the splendid system of internal communications which they have built up less efficient.

It is a difficult matter to estimate the cost of such a system of subsidies. But it is safe to say that it would pay the mother country to pay the whole of the present cost of freight on her colonial imports rather than to adopt even Mr. Colmer's three per cent. duty. The freight on all colonial goods shipped to the mother country does not exceed fifty million dollars. The average cost of freight on the world's trade is ten per cent. of the imports. The average on British colonial goods is probably higher, perhaps 15 per cent. The difference between the values exported and the values imported is roughly speaking due to the cost of transportation. The self governing colonies of New South Wales, New Zealand and Canada, exported goods (1896) to the value of 144 million dollars, while England imports from them goods to the value of 164 million dollars, a difference of about 14 per cent. The imports from all the self governing colonies into the United Kingdom (annual average 1892-96) amounted to £50,477,000, of which, at the above rate, 14 per cent., or about £7 millions was due to the cost of transportation. If we include the exports from the United Kingdom to these self governing colonists, the value of the

derived the first suggestion of the proposal outlined above of commercial federation by means of cheaper freights, does not draw the obvious conclusion that shipping subsidies provide the proper solution. He seems to favour, as one of his critics put it, "a protectionist duty on wheat and meat, with a differentiated scale according to the geographical distances from which they come"; although at one place he approaches the proper solution when he says (p. 220) that "the general feeling of most Englishmen would be rather to give our colonists equal advantages with foreigners, than to punish foreigners for their sakes": here he approaches very nearly to the policy which follows the line of least resistance.

total trade for the above period was £84,709,000 ; on which some £11 millions was paid in freight. This is practically the amount of the extra taxation which the English consumer at the least would pay under Mr. Colmer's three per cent. tax on four articles alone. The effect on colonial trade would be the same, whether a preferential duty of five per cent. were imposed or a reduction of one third could be made in the cost of transportation. The freight charges we found amounted to 14 per cent. A reduction of one third would give a five per cent. preference. But the cost to England would be between 3 and 4 millions sterling, only fifteen or twenty million dollars. This would not benefit colonial export trade alone. It would benefit equally her own export trade, and a part at least of the cost would come back in the shape of increased trade. No outlay which the British Government could make would be productive of better results ; and these results could be secured without any departure from established policy.

This suggestion is in accordance with the principles laid down. It involves no interference with the internal freedom of any member of the Empire, and a concession in this form would create no heartburnings at home, because it would run counter to no principle or interest. It would, moreover, secure the desired result, even more fully than the direct preference which the colonies demand. But the policy would need to be explicitly, almost ostentatiously, adopted. Otherwise the colonies might not recognize that a preference in this shape was being given, and might still clamour for a preferential duty. The admission of colonial stocks as trust investments was a concession of some importance ; but with the exception of some Canadian Liberals, who are looking for a justification of the *method* of their preferential tariff, there were few who recognized its importance.

CHAPTER IV.

CANADA AND THE EMPIRE.

FEW people, at home or in the colonies, recognise the profound change which has come over colonial sentiment regarding the Empire. To-day, in Canada, we are all more demonstratively loyal than the inhabitants of the mother country, and are inclined to regard them with a certain pity and scorn on that account. Ten years since our ideas were very different. But the change has been so profound that, recent though it is, it is difficult to find anyone to admit that there has been any change. We are inclined to think that we always were as enthusiastic imperialists as we are to day. Yet as a matter of fact there has been a profound change. One short decade ago we were so far from being imperialists that there was an active annexation party in our midst. One of our great political parties ran an election on the issue of unrestricted reciprocity, and many of its most influential members were in favour of commercial union with the United States. And many who were then as strongly prejudiced against the republic to the South, as we all are to-day, were in favour of national independence. "Canada First" and "Canada for the Canadians" were popular maxims. If there were little Englanders at home in those days, Canada was full of little Canadians who, however loyal they may have been, were certainly not imperialist in their sentiments. Ten years ago one would not have been very much in error who, judging not of the deep underlying instincts of the race, but of the common expressions of opinion, declared that Canada at least, among the colonies, was not conspicuously fervent in her appreciation of the glories of the British Empire. An

intelligent and imperial observer like Mr. Greenwood actually declared in those days that French Canada would be the last refuge of Canadian loyalty—a remark which in view of recent events shows either how completely we have changed or how far astray with the rest of us Mr. Greenwood could go.

Loyalty
the
War?

It is Canadian sentiment that has changed; and the evidence that there has been an overwhelming change would be found by comparing the files of almost any journal in Canada, for 1890, say with its files to-day. Quotations are certainly no criterion. They might be the casual expressions of individual opinion, and by judicious selection it might be possible to quote as much on the one side as on the other. There were imperialist expressions then as there are little Canadian expressions to-day. But *La Patrie* does not make Canada anti-imperialist to-day; and the waving of the old flag does not prove Canada imperialist then. We must judge of the temper of a people by many signs and indications; and ten years ago Canada seemed to be entering on a course which made for disruption rather than for consolidation. The Imperial Federation movement was, as Mr. Goldwin Smith pointed out, a reactionary movement in Canada; and the idea was even shorter lived in the colonies than it was at home. The London *Speaker* (Ap. 4th, 1891) seems very fairly to have grasped the situation then. "The Canadian Liberals," it said, "have definitely declared for Commercial Union with the States, and are no longer in a position to entertain commercial union with the mother country. And as for the Conservatives, the backbone of the party consists of manufacturers who would be ruined by the competition of English goods." Let us speak of something else, it contemptuously concluded; and in these ten years we have been talking of nothing else. Both parties have adopted commercial union as their programme—but not commercial union with the United States; and as then the *Speaker* could

see little difference between them in their practical opposition, so now we can see little difference between them in their practical acceptance of the idea thus summarily dismissed. The change towards the subject of commercial union is typical of the change towards the imperial idea.

It may seem to contradict this idea that the Conservative party under the astute leadership of Sir John Macdonald carried the general elections in 1891 by waving the old flag and draping the nakedness of their economic platform in its sacred folds ; and it is true that there was a deep underlying attachment to the Empire which he was quick to see and to make use of. But even then the expressions of opinion seemed to point in another direction. Had the election come three weeks earlier the Liberals would have been elected and unrestricted reciprocity established. Had the elections come three weeks later the defeat of the Liberals would have been even more crushing. The appeals to the sentiment of loyalty were met with jeers at first ; and it is possible that many who were disinclined to seek disruption openly were themselves but lukewarm in their sympathies. Certainly many who by nature and by training were disposed to be imperialists were not inclined to commit themselves. The contemptuous indifference of the little Englanders on the one hand, and the arrogance of the great Englanders of the Imperial Federation League on the other hand, were alike disheartening. The break up of that body was one of the most fortunate things possible for the Empire. The loyalty that was demanded from the colonies was loyalty to England, not loyalty to the Empire ; and the colonials rather resented the idea that, man for man, the electors of England were their political superiors.

One must judge of a matter like this by one's own impressions ; and an adult immigrant, interested in politics and in the trend of public opinion, has an opportunity of judging which is given neither to the native born nor to the outsider.

In 1892, when I came to Canada, one could still hear echoes, not very faint either, of the reciprocity controversy; and Canada seemed to be considering her future destiny. I remember writing home to an English student of politics that there were two parties in Canada, roughly distinguishable as the American party and a professedly English but really independent party. The distinction was not of much value; but in the condition of public opinion in Canada then it was an excusable mistake. A newcomer could hardly appreciate the strength of a sentiment which found no expression; and the opinions which were expressed seemed to point away from imperialism. There was in the early nineties a large section of the Canadian public which agreed more or less with Mr. Goldwin Smith in regarding Canada as an American power. No one to-day is ever accused of being an annexationist. But in those days Goldwin Smith was still a power in the land and his views and opinions were regarded as of sufficient importance to require refutation and denunciation. We denounce those ideas only which we have not risen far enough above to try to understand; and Canada as a whole, tried by this test, seemed to recognise that she was face to face with the problem of her destiny. To-day the question has been so far settled that no man refers either in praise or blame to Goldwin Smith's ideals. But in 1892 it was necessary to refer to them in some way because they were then attractive ideals.¹

It would be hard in these times to get any Canadian to consider these ideals. To-day they are exploded, discredited and rejected ideals; but they had in them at that time the

¹I have before me, as I write, a copy of a book called the "Handbook of Reciprocity." It was part of my business to make myself as quickly as might be familiar with Canadian problems, and this was the first book I bought in Canada. The careful way in which I find the book is annotated, with remarks queried here and statements underlined there, shows me how important I thought the question to be in 1892. The book has a purely antiquarian value to-day.

Held indeed! Mr. Davidson, and
about 1911?

attraction which the phrase *manifest destiny* always has. Yet with it all and the "Canada First" movement, there was a spirit in man which, though it might not reveal itself on all occasions or to all observers, yet did open up new possibilities. It was this underlying loyalty which in the end confounded all theories and converted the "Canada First" into a "Canada first in the Empire" movement. From the vantage ground of experience we can see now that this loyalty was the dominant factor in the situation. But it was not so easy to see it then. For it was not perhaps the creed of the politically intelligent; it certainly was not the creed of the politically outspoken. But it was the creed of the dumb mass of the people and possibly underlay the transient ideals of the others. At any rate it was the sentiment which was to prevail, though few observers were able to read the signs of the times.

Even in the early nineties the old cries were losing their meaning; and gradually, one knows not how, gradually but completely and irrevocably, the nation swung round from its "manifest destiny" to its manifest duty. The Jubilee year marked the perfect triumph of the Imperial idea; and in that year the most practical politicians in the world perhaps, recognised that the change was complete. The Canadian Liberal party set the seal to the accomplished fact. To-day our old attitude is unintelligible and men even deny that it ever was taken. We no longer complain that we are patronised and that recognition is denied our undoubted merits. We ask no recognition for there are none to recognise us. We are part of the Empire, and when Mr. Tarte talks, as he does to-day, about the South African trouble being a purely English question, Canadians, or some of them, in spite of their indignation, have some of the pitying toleration for him that one has for an anachronism. He stands where we, many of us, stood ten years ago, and may, if we have

patience and he has intelligence, come to share in the ardent imperialism of his fellow citizens.

The causes of this triumph of imperial sentiment over political theories may be symbolised in the two names of Grover Cleveland and Rudyard Kipling. President Cleveland was not alone responsible for that growth of anti-American sentiment which is one of the most distinctive political factors in Canadian life to-day; nor did Rudyard Kipling alone create the imperial sentiment of the colonies. But each served to give form to chaotic impressions. The Venezuelan message was in fact the burial service of the American idea in Canada. It has been dead for some time. It was now forgotten. Kipling brought the colonists to self consciousness and made them realise clearly for the first time what in a dim way they had long felt, viz., that there was no question of loyalty before them but one of simple self respect.

As Edward I. was the hammer of the Scots, so Grover Cleveland proved to be the hammer of the Canadians. It is easy to say now that there was no possibility of war over the Venezuelan affair and that the whole excitement was ridiculous. But we did not think so then; and it is doubtful whether any Canadian thinks so yet. At all events we believed that war was inevitable then and we knew that on us in Canada the first and last and awful brunt of war would fall. But there was not one moment's hesitation. A quiver ran down the line and Canadians, one and all, stood ready. It did one good and made one proud of the breed that there should be no question in the face of such an emergency. Forgotten were the old ideas that our interests were on the American continent. It was a quarrel, as one might have said, with which Canada had nothing to do; but we had unconsciously made our choice before the crisis, and when it came we stood proudly forth as British subjects ready to do or to suffer, and we knew that the suffering at least would be

ours. The possession of a few square miles of malarial swamp, the allegiance of a few tribes of wandering Indians were perhaps not questions on which to hazard our lives and homes; but we made it so and announced then so that the world, and we ourselves, could hear it that the Empire's quarrels were, for ever and always, Canada's quarrels.

It has generally been assumed that the hammer of the Scots made a nation out of the discordant elements which inhabited the northern half of the island. But historically, as well as on a priori grounds, one can pronounce such a view unfounded. Had Scotland been so disorganised as this view assumes, its manifest destiny, as it appeared to the masterful Edward I., would have been accomplished; and Scotland merged to its manifest economic advantage in the larger life of the English people. On the contrary, as Mr. Hume Brown has pointed out, Scotland was not at the War of Independence a country barely emerged from barbarism with the elements of its population at strife and variance. "With the exception of England, indeed, no country in Christendom had in the same degree (as Scotland) filled out its limits and welded its people the War of Independence was to prove that a Scottish nation had really been formed in the long process in which the first step had been taken by Kenneth MacAlpin."¹ "It has constantly been said that through their long struggle with England, the Scots were fashioned into national unity: it would be more correct to say that had Scotland not been a nation before, it must inevitably have gone to pieces in the long ordeal through which it had passed."²

History is past politics and it would be just as absurd for us to say to-day that Grover Cleveland found Canada trembling on the verge of dissolving her imperial connection; and

¹ *History of Scotland*, Vol. I, pp. 129-130.

² *Ibid.*, pp. 179-180.

by one rash threat changed the current of American history as Edward I. is popularly supposed to have altered the course of British history. For if Scotland had, as Mr. Hume Brown puts it, her dynasty of centuries standing, her national council, her national church, and her national law, Canada, in like manner, had her British tradition which was never so dear as when threatened by the rude bluster of a shirt sleeves' diplomat. Scotland had been gradually schooled by many unsuccessful attempts on the part of England to assert a supremacy, to be ready to resent the effort to achieve by force what guile had failed to accomplish. And Canada had been, or what comes to the same thing, conceived herself to have been, the victim of a long series of similar attempts to coerce her. The methods were, of course, the methods of the nineteenth century. The expedients of the feudal system could not be used but the weapons of trade warfare were used with the same effect of irritating the northern people. Canada was, and is still, economically dependent on the United States; and the tariff mongers of the Republic had endeavoured in many ways to assert an economic suzerainty.

And as there were those who, in the perplexed state of Scottish affairs following the death of Alexander III., thought, and from a cosmopolitan standpoint perhaps thought correctly, that it was a consummation devoutly to be wished for that the old feuds of the two kingdoms should be ended by the union of the two nations, so in Canada there had been many who thought that economically, perhaps also politically, it was desirable that Canada should be absorbed in the larger political power to the south. One can almost hear the Scottish Goldwin Smiths declaring that there was not room in the island for the development of two English speaking nations, that the northern kingdom had a great race question to solve and the Anglo-Saxon element in the northern kingdom needed all the help it could obtain from association with

their English brethren to the south, that trade naturally followed the lines of longitude and that economic and commercial considerations were too important to be set aside in favour of mere sentiment.¹

But just as the early sympathisers with our supposititious Scottish Goldwin Smith were forced by stress of events finally to declare themselves and to break with England, so the Canadian sympathisers with the American idea have been converted by the persistent commercial persecution on the part of United States politicians, and forced to abandon their annexation or reciprocity platform. And just as Robert Bruce through constant hardship and relentless pursuit, and later through the inspiration of success, gradually rose from the position of a not over scrupulous adventurer seeking a throne to become the patriot king and almost the patron saint of an adoring people, so Laurier and the Canadian Liberal party, after many rebuffs at Washington, came finally in the exalted sentiment of a Jubilee year to make the greatest contribution of this generation to the realisation of the Imperial idea.²

¹These Scottish Goldwin Smiths practised more than they preached; but the comment has come later. From Anderson's *Origin of Commerce* we may take the following (Vol. III, page 26): "And great pity it truly may be said to be, that two nations sprung from the same original stock, speaking the same language, essentially possessing the same religion, and whom Nature seems to have designed for one by being separated by the great ocean from the rest of mankind, should not have sooner pursued their true and evident mutual interests, and thereby have much sooner increased in wealth, security and power. If upon the death of Alexander the Third and of his grandchild, styled The Maid of Norway, Scotland had voluntarily united itself to England near five hundred years ago, how much more populous, powerful and rich would both parts of the island have probably been at this time."

²It has been pointed out to me that the historical view of the character of Robert the Bruce which looks at him as having with success become a good man as well as a great man, which he always was, is not understood; and that the suggested analogy between Laurier and the Scottish king can only appear ridiculous. Between the popular conception of Bruce and the actual Laurier one could make no comparison; but between the actual Bruce, as his character is drawn by Mr. Hume Brown, for instance, and the actual Laurier, there is a kind of antithetic parallelism. Bruce was great and became a good king. Laurier has always deserved his reputation for "amiability," and he has certainly made his name historical with the Preferential Tariff of 1899.

It has been said that one can prove anything by analogy ; but when nothing is to be proved it may be allowable to follow out the analogy which suggests itself between Canada in the latter half of the nineteenth century and Scotland in the latter part of the seventeenth. The economic relations between Canada and the United States are of much the same character as those between Scotland and England in the seventeenth century. Scotland made the same demand for commercial intercourse with England as Canada has sought so often and in vain from the United States. The short experience of free trade which Scotland had during the Commonwealth period may be compared with Canada's golden age of Reciprocity. The reciprocity was in both cases mutually beneficial, but particularly so to the northern party ; and in both cases, after a short continuance, it was brought to a sudden conclusion. In Scotland underlying the ecclesiastical troubles there was a strong desire for a renewal of this free trade with England ; and in the event this desire proved the strongest argument for the Union of Parliaments. In England, however, there was the same commercial jealousy of the gains which Scotland made, or was likely to make, as the United States, with less excuse in the temper of the times, has shown towards Canada. English jealousy wrecked the Scottish Darien scheme as United States jealousy has repeatedly endeavoured as in Alaska and the Behring Sea to check the development of Canadian enterprise.

The analogy is singularly complete. Canada, like Scotland, was the poorer northern neighbour, and was economically tributary to the Southron. Canada, like Scotland, found a career for her more energetic sons in the wealthier and more developed country to the south. There was, moreover, the same jealousy of Scottish immigration on the part of England as the United States has, officially at least, shown towards Canadian immigration. Yet, in the one case as in the other,

the immigration was an economic necessity to the receiving country. Scotland gave cheap labour and brains to England and Canada has paid the same tribute to her wealthier neighbour.

At one point the analogy breaks down and breaks down decisively. Scotland and England became parts of one political unit; while Canada and the United States remain and will remain separate. England desired political union more than the maintenance of commercial monopoly and Scotland valued access to the English market at home and in the colonies more than the retention of a barren political independence. Both played their strongest card. Scotland by the Act of Security in 1703 refused to ratify the Act of Settlement; and declared that the admitted successor to the Crown of England was *ipso facto* excluded from the choice of the people of Scotland; while England in retaliation made the commercial exclusion of Scotland more rigorous than ever. The Union of Parliaments then became inevitable.

But had Scotland's ancient ally of France been to her what Canada's ancient ally was to her, the issue might have been different. The ancient alliance was dictated by a common hate and common necessities; but gradually, even in the time of Queen Mary, the spread of Reformation principles in Scotland brought the old alliance into disrepute. There was neither common race nor common traditions between Scotland and France. There was indeed for Scots the right of citizenship in France, but religious differences had made that a dead letter. France, moreover, did not offer to Scotland such a commercial alternative, as England did to Canada when her suits were rejected by the United States. In short, if France could have been to Scotland what the mother country has been to Canada the issue might have been different, and England have remained a second rate power. Canada's ancient ally was all that France failed to be to Scotland in the crisis of her fortunes; and the ancient

alliance in this case, backed up as it was by Southron insolence, proved too much for manifest destiny.¹

The Venezuelan message did much to give form and shape to the vague irritation which a generation of rebuffs had created. As time had gone on, the fruitless journeyings to Washington provoked not regret at the failure but irritation at the snubs received; and Canada was entering on her maturity and beginning to feel that she could stand alone. The Venezuelan message was the last straw. It revealed that as a nation we had made up our minds and were ready to meet contempt with contempt and arms with arms. Those amiable enthusiasts who preach at home in the islands that Canada's duty to the Empire is to bring the Anglo-Saxon peoples more closely together must be singularly ignorant of the real Canadian sentiment towards the United States. There are exceptions of course—and in the interests of international amity it is well that there are exceptions—but the tone of the average Canadian towards the United States is in the old fashion of Scottish sentiment towards the "auld enemy."

But the open threat in the Venezuelan message could not alone have produced the effect it did had there not for years been growing up in Canada a new consciousness of the place which a colony holds in the Empire. Many forces have contributed to this development, but the influence of the writings of Rudyard Kipling has been perhaps the strongest of these forces. I do not know the full measure of Kipling's popularity in the Empire, but if Canada may be taken as a standard it must be tremendous. Among us he speaks as a

¹The analogy suggests one curious reflection. Scotland, like Canada, was formed out of two peoples. In the long struggle the Celt went under; but in these latter days has enslaved his conquerors. It is the fashion for even pure Saxon families in Scotland to trace relationship to mythical Highland clans. Will the same phenomenon appear in Canada? Will the pride of descent from the Loyalist give place to a desire to prove some seigneur or even some habitant to be one's ancestor? Further, will Sir Wilfred Laurier become the rallying point of Canadian Romanticism? There were during the last few years indications of a growing Laurier mythus, but recent events have probably dispelled these romantic notions.

prophet ; and the most random utterance of his pen is rapturously and reverently received, and at once becomes an inevitable rule of conduct. His merits as a writer do not enter into the question, though, as a matter of fact, we believe that he has no equal. There are few Kipling Clubs in Canada because there is no one to exclude.

We have heard perhaps enough of Kipling as the Empire builder ; and while he has made us all imperialists it was not as an Empire builder that he won our love. To the Englishman he may be the poet of the forward movement ; to the colonist he is above all the poet of the Native Born, the man who first revealed to us the full glory of our imperial heritage. We had always known the British tradition. England's history was our history and her troubles our troubles. But we stood in the outer court of the Temple, not aliens indeed, but still outsiders ; and there was no one to tell us that we had the right of entry. We were not faithless ; but we were despondent and did not bear ourselves with confidence. We protested our loyalty too much and yet regarded the Empire as England's, not as ours. Canada was a dependency, a great self-governing colony if you will, but still a dependency ; and much as we disliked to admit the individual superiority of the men of the islands we did bear ourselves as inferiors and allowed ourselves to be patronised. Kipling brought us to self-consciousness and to self-respect. He made us see that all talk about loyalty to the Empire was a mistaken use of terms because it did not express the truth of the situation. He showed us that the Empire was ours and that colonists had in it not the place of a hired servant but that of a younger son who had not wasted his substance in riotous living in a far country. It is as the poet of the native-born that he has done most for the Empire. He has not only brought the colonies to a perfect passion of devotedness : he has also expressed the thoughts they themselves did not know

they cherished. He has, in short, been to the Empire what Burns was to Scotland, the revealer of men to themselves.

Outsiders have often been puzzled to understand why the Scottish people should make so much more of Burns than of Scott, who was a worthier man, and perhaps also the greater genius. The reason is that in Burns the Scottish people found part expression and that he said for them what they dared not say for themselves. Scott never revealed to Scots their inmost feelings, and to the end of his days was almost as tongue-tied as themselves. Therefore he has not that love which the name of Burns evokes.

And what Burns did for Scotland Rudyard Kipling has done in part for the Native Born. He has revealed to them the worthiness of their position as well as the grandeur of their heritage. He has taught us that the deeds which won the Empire were not the hard hand strokes of war only, but those patient and unheroic efforts by which the colonies are slowly building up out of their virgin resources new strongholds for the race. He has called a new kind of patriotism into existence, which is pride in work done and results accomplished, because he has shown us that the tiller of the soil, the miner, and the trapper, and the railroad builder with no visions, is each in his way a true empire builder and a workman who needeth not to be ashamed of what he is doing on its behalf.

Some English critics would have us believe that Kipling's vogue will be like the vogue of many another Jingo poet; and one superior person declares that a single stanza by a certain minor poet called Yeats is worth the whole of Kipling's brutal and bloodthirsty ravings. It may be so. It may be that future generations of Englishmen will appreciate more highly the minor tones of the Celtic fringe than the majors of the Empire; but till our race has lost its imperial instinct Rudyard Kipling will hold his place. These critics

have compared him with Campbell, who, except for some imperishable lyrics, is unread and forgotten; but who that knows the outliers of the Empire would make such a comparison. Rule Britannia is still the war song of the Empire; but it did not call a new world of patriotism into existence. It gave expression to a passing sentiment which any cockney snob may feel and feel again.

But Kipling has done more than this. He has called into active life the dormant forces and motives of the Empire. He has given form to that which before was without form and void. He has made the colonies aware of their inmost feelings and ideals. He knew the colonies better than the colonists themselves did. The rebuke in the following letter, which appears in Mr. Beckles Willson's, "The Tenth Island," shows from what Kipling has rescued and raised colonial *expression*. It appears that certain Newfoundlanders were grieved at the poet's omission of St. John from his "Song of the English," and their remonstrance elicited the following letter: "Indeed I am not unmindful of Newfoundland. Perhaps I may know more about it than you think, and, certainly, no man in his senses ever doubted the loyalty of the senior colony. We may leave that, I think, to the Yankees who seem to take comfort from inventing curious fictions of that nature. But we will make a bargain. I will put in a four line verse among the 'Song of the Cities' if you, on your part, will drop, and influence other people to drop, allusions to the "loyalty" of the "colonies." In the first place, I dislike the word "colonies," and if you look through my verses, you will find I very seldom use it. It is out of date and misleading, besides being provincial. In the second place, there is no need to talk of "loyalty" among white men. That is one of the things we all take for granted—because the Empire is us, we ourselves—and for the white man to explain that he is loyal is about as unnecessary as for

a respectable woman to volunteer the fact that she is chaste."

That is the situation in a single sentence. He has expressed what the colonies have long felt and still are feeling. The word "colony" is misleading and provincial; and there is undying fame for the orator who finds the right word to express the facts as they exist to-day. "The Empire is us, we ourselves," and, therefore, it is needless to protest our loyalty. A dependency may be loyal: colonies, such as Canada and Australia, have long felt that this was not a proper word for them. They use it only in default of a better.

The colonist has not yet achieved that serene dignity of imperial ownership which the English of the island exhibit. He still protests too much and exclaims too much. It is doubtful whether many Canadians understood the spirit of Kipling's school story, "The Flag of their Country." Certain passages in it must have struck many as rank blasphemy. From no one but Kipling would it have been received without violent protest. For we are still at the stage when we perorate like "Mr. Raymond Martin, M.P.," about the old flag, though, thank God, we no longer use it as a party emblem. The flag is always and everywhere in evidence. It is the ambition of every country school-house to own one, and the schoolmistress organises concerts and "socials" to raise the necessary funds to purchase it. No meeting, public or private, may close without a demonstration of loyalty. Staid sober gatherings rise to their feet and sing with immense enthusiasm the "National Anthem"; and I have heard the venerable Chancellor of a Colonial University solemnly propose at the end of a public lecture on "Railroad Nationalisation," that the audience join in singing "God Save the Queen." Even the Women's Christian Temperance Union is infected with the same enthusiasm. Our local branch opened its annual meeting with prayer, reading of the Scriptures, and the singing of the music-hall "Soldiers of the Queen!" This

new-found expression is sometimes extravagant and intolerant, and we have still to learn that there may be a legitimate difference of opinion regarding the action or inaction of the Imperial Government.

But this kind of exuberance will pass away and the colonists will gradually come to see that they are no more loyal than the English of the island because they talk more about it. The important thing is that they are coming to take their loyalty for granted. They are coming to take the loyalty of their political opponents even for granted. During the excitement raised by the curious inaction of the Canadian Liberal administration regarding the Canadian contingent for the Transvaal no one ventured to draw an indictment against half a nation. The Opposition naturally regarded the attitude of the administration with what we may call chastened sorrow, because they hoped to detach many Liberals from their party allegiance on that account. But no one said, and certainly no one thought, that the party was responsible for the inaction. There was a great deal of indignation expressed at the attitude of various prominent individuals, but it marked the stage Canada now occupies that the most outspoken were members of the government party. The question of loyalty can never again be made a party question because it is clearly seen that loyalty is a matter of self respect. The Minister of Public Works was criticised because he had obstructed the realisation of our ideal, "Canada first in the Empire." Few criticised, or cared to inquire about the attitude, of the individual minister. That was regarded pretty much in the same light as the utterances of an individual Nationalist member. His private opinion was his own business, but it was generally conceived that he had misrepresented Canada's position in an Imperial matter.

Naturally Kipling's influence has not been wholly good. His teaching is strong meat for men and the diet was perhaps

too generous. One result is that he will soon have to write a Recessional purely for the colonies. We are getting a little out of hand. We are jingoes to a man. We do not say 'my country right or wrong' as a perfervid patriot once said, we shout 'my country always right' and we do not stop enough to consider. Colonial sentiment may be reckoned on for many years to come as an accession to the jingo element in the Empire. We are in favour of every forward movement and great was our disappointment when Lord Salisbury refused to declare Egypt a part of the Empire. I know of one map which was coloured red in anticipation. If Mr. Chamberlain or another colonial secretary were to declare to-morrow for the annexation of some of the German colonies in Africa his action would be applauded by a large number of colonials. We are all in favour of almost any forward policy; and drunk with the contemplation of our vast undeveloped resources and confident in our power to develop them, we would regard any extension of the Empire simply as a pegging out of claims for posterity. Without enquiring into the extent of the burden—which to do us justice we are ready to share—we are ready to clamour for the annexation of the Yang Tse Valley or the remotest god-knows-where pass or hill fort in the Pamirs. That it is a forward movement is enough for us and those who dare to think otherwise must take the consequences. That the English of the island should for a moment tolerate John Morley after he had dared to call us "a pirate empire" is unintelligible, that they should listen to him with respect is intolerable. For good and evil, colonial sentiment is jingo.

That is part of the exuberance of our newly-found utterance and may correct itself in time. Meantime it is a factor in Imperial politics which must be taken into account. When Canada has so far settled down that she can criticise her own ideals, there will doubtless be the same wholesome

division of opinion here as there is at home, where the forces of expansion and of consolidation are more or less in balance.

Perhaps since the outbreak of the war in South Africa it would be hard to find any one who thought the colonies disposed to drive a bargain for their loyalty. Preferential trade may come or it may not come but the loyalty of the colonies is beyond all question. The sending of the various colonial contingents not only demonstrated the solidarity of the Empire: it also intensified the colonial interest in Imperial affairs. Had there been no colonial "soldiers of the Queen" at the front, much less enthusiasm would have been displayed. The result of all the expression of imperial sentiment in the colonies, during the war, has been to prepare the way for the proper consideration of some of the problems which await solution.

This is true particularly of the problem of Imperial Defence, and colonial public opinion is ready for the consideration of a comprehensive scheme. But those who have to elaborate such a scheme must keep in mind the underlying forces which ultimately govern policies. The colonies are prepared to do as much as is needed, and more even; but, except in the event of a life and death struggle for the existence of the Empire, it is doubtful, whether directly or indirectly, they would hand over the control of their finances, in whole or in part, to the military dictatorship of any Imperial Council, even should they find representation on that Council. The colonies are, and intend to remain, self-governing communities. In the height of our patriotic paroxysms, in the Spring of 1900, Sir Charles Tupper went almost out of his way, apparently to the embarrassment of many of his own party and to the delight of his opponents, to reiterate at Quebec the views he has long held regarding Imperial Defence. He holds that it is no part of Canada's duty to pay contributions into the Imperial Exchequer; and at Quebec

he gloried in the part he had taken in destroying the Imperial Federation League, whose programme was that the colonies should contribute to the support and maintenance of the Empire to which they owed everything and contributed nothing. Sir Charles Tupper's contention was that Canada, by developing her own resources, and more particularly by building the trans-continental railroad, had done her duty and her whole duty by the Empire. The old extravaganza, "millions for defence but not a cent for tribute," may be taken as an exaggeration of the attitude which Sir Charles Tupper takes at the present moment. When necessity arises there will be no standing on rights and privileges, but until necessity does arise, there should be no attempt to invade those rights. A daughter goes to the help of a mother in time of need, not because it is a duty, but because she is a daughter; but at the same time she is, and desires to remain, mistress of her own house, managing her own affairs in her own way.

It is possible that the growing pretensions of the colonies will compel them to do more directly for the defence of the Empire than they have done; but there can be no doubt that the instinct of the colonies, and their right instinct, is that the first line of defence must be maintained by the mother country. To this instinct Sir Charles Tupper has given negative expression. The need of the situation is that the instinct should receive positive expression. The military function of the colonies is to form the reserve of the Empire; and this they can do best by strictly attending to their own proper business of developing their own resources. The main factor in the production of wealth is what Prof. Nicholson has called the personal capital of a country; and in a new country this factor is relatively the more important. The productive capacity of human labour working on the virgin resources of countries like the colonies is very great; and it

would be a wanton perversion of function, and a wanton waste of effort, to divert any portion of that labour unnecessarily to purely unproductive employment, such as military service. The blood tax of conscription or of heavy armaments is burdensome, not so much because of what it takes out, as because of what it keeps out of the pockets of the people.

The military function of the colonies is not to maintain a large standing arm, or even to make contributions to the maintenance of such an army elsewhere, but to see to it that they maintain the reserve in good and available order, and, on occasion, to demonstrate to the Intelligence Departments of other powers, as was done by the sending of the contingents to South Africa, that the reserves of the Empire can be instantly called out. If, over and above the duty which has been committed to them of maintaining order within their own borders, and the further duty of increasing in wealth and population, the colonies should find themselves ready to undertake some specific and recognizable part of the task of defence, it should take the form of assuming responsibility for the maintenance of some portion of the Imperial Reserve. Thus Canada, for instance, might, without any departure from her policy, and without attracting wealth producers from their more important task, undertake to organize among her fishing population, by means of bounties paid out of the Dominion Treasury, a naval reserve sufficient to re-man the North Atlantic and the North Pacific Squadrons. This would be doing something which needs to be done, while it would involve the very minimum of interference with the real function of the newer portions of the Empire. A scheme of defence which does not take account of the difference of function of the different units of the empire is not likely to succeed. Defence may be of more importance than opulence ; but a system of defence which strikes at the root of opulence is likely to break down in the hour of need.

The recognition of the importance of this fact does not, however, place any obstacle in the way of the colonies doing as they have done, either at the call of necessity or in obedience to their own enthusiasms, by sending regiments from the colonies to fight in the regular armies of the Empire. Sir Charles Tupper, who has so persistently maintained that the duty of the colonies is best performed by the development of their own resources, was one of the first to call for the sending of a Canadian contingent to South Africa ; and he very properly refuses to make a free will offering in a time of national danger the basis for extorting concessions from the mother country. The contrast between the attitude of the two Canadian parties on the two great questions of preferential trade and of imperial defence is very curious. Each seems to have got hold of the correct view of one of the questions, and to have adopted, on the other question, the attitude which one would have expected its opponents to hold. The Conservatives insist on a *quid pro quo* in the case of trade, and will have nothing to do with the demand for Imperial Representation as the price of sending Canadian troops to South Africa. The Liberals insist that there should be no demand for a *quid pro quo* in matters of trade—such a demand being injudicious, if not selfish—while, if Mr. Tarte is to be taken as the spokesman of the Liberal party (which is more than doubtful in this instance), they are desirous of making a free will offering of troops in a time of national stress the basis of a demand for a *quid pro quo*.

Mr. Tarte's advocacy is not likely to commend a policy of demanding Imperial representation to the people of Canada ; but there is without doubt a strong sentiment in Canada in favour of some sort of Imperial representation. But it is important to understand the true inwardness of the sentiment. Possibly nine men out of ten would gladly see Canadian representatives at Westminster ; but it is to be always remembered that it is the honour, and not the responsibility, they

covet. What the colonies want out of Imperial representation is recognition, not power. They are tolerably well content with the constitution of the British Empire as it is, and they understand the enormous difficulties which stand in the way of devising and working a new constitution. They would be just as well satisfied if the Agents General were *ipso facto* members of the House of Lords. In such a way they would obtain the desired recognition and yet avoid the dangers for their own politics. Canadians are not likely to forget the deterioration which has set in in provincial politics since Confederation. The better men seek the larger field; and in the case of Imperial representation it would be the Dominion that would suffer. The truth is that Canada cannot afford to send her good men, and, for her reputation's sake, cannot afford to send her poor men to represent her; and with Imperial representation we should be compelled to impale ourselves on one or other horn of the dilemma. But the essential part of the demand is not the representation at Westminster, but a clearer recognition of the importance of the colonies in the Empire. Why, for instance, should not colonials receive a larger share of the birthday honours? Why should not the mayors of Toronto and Montreal be able to look forward to a knighthood with the same reasonable assurance as the provosts of Edinburgh or the mayors of Liverpool, for instance, can do. The colonial civic magistrates may not be all that we desire in a knight; but who pretends that the knightly qualities are conspicuous in the recipients of these honours at home. A freer recognition of the merits of individual colonists for positions of trust in the government service at home and elsewhere, would prevent us from contemplating the necessity of climbing "o'er the house to unlock the little gate." As it is, every such honour conferred on a Canadian is regarded as an honour conferred on Canada; and the desire for Imperial representation is little

more than a desire that Canada should have the honour of having some of her sons seated in the mother of Parliaments.

If this be the meaning of the colonial desire for imperial representation, there is no necessity of casting the constitution into the melting pot, as some think we must be prepared to do. In spite of all that is said to the contrary, there is no need for any elaborate scheme of reconstruction. We can very well go on as we are so far as constitutional arrangements are concerned. The British Empire is not that loose congeries of states which must be more tightly bound together. Publicists talk much of the state as an organism. If ever there was a state which could be described as an organism (which is doubtful) the British Empire may be so called; and those who clamour for reconstruction seek to replace the organism by a dead mechanism between the various parts of which there can be only friction, which must be minimised, instead of a growing life. The Empire is no mechanism to-day. It has its separate organs, each with its own function, and its own life, which yet is the common life of all; and nothing but harm can come of attempts to bring the various organs of the national life into close and unnatural contact. There are many problems still to solve, but they are problems of particulars; and provided that no cause of friction is introduced they can be solved. But they must all be solved on the basis of freedom to each unit of the empire to govern its own policy in its own way. Canada has shown the way in the matter of trade, and both parties recognize the importance of the accomplished fact. The Conservatives, while they continue to upbraid the Liberals for having omitted to take advantage of Canada's opportunity, are not likely to undo their work. What they may do is, like the Liberal government itself, to increase the tariff rate on those articles in which the English and Canadian manufacturers compete, before they bring the thirty-three and a third

preference, to which figure Mr. Fielding, without any special reason, has increased the preference. So far as practical policy is concerned both parties will act in the same way, for the reason that both parties are at one in their attachment and devotion to our common Empire.¹

¹ Mr. George E. Foster, House of Commons, Ottawa, Tuesday, March 27, 1900 speaking officially on behalf of the Conservative party, after criticising the Budget of Mr. Fielding, went on to say :—“ But we are told : This preference to Great Britain is now an accomplished fact. When you get into power, what will you do with it ? Will you repeal the preference to Great Britain ? That is a question that will be asked ; that is a question that must be answered. My answer to it is this—that certain facts, when once they are accomplished facts, and though they were accomplished against the wish of one party, and against what was considered by that party to be a fair and judicious policy, yet, when once they have been accomplished, it becomes a question whether profitably to the interest of the country, and to what extent, these accomplished facts can be repudiated or antagonized. One thing, however, is sure—that when the Liberal Conservative party comes into power, whatever preference is given to the British manufacturer, that party will take care to see that home industries are fairly and adequately protected, no matter what advantage is given to others.”

CHAPTER V.

TRADE AND THE FLAG.

THE maxim, trade follows the flag, seems to inspire men to practical contradictions. Those who believe that it does spend their energy in devising systems of commerce by which trade may be made to do what it already does ; and those who deny its truth find themselves compelled to object to all proposals which seek so desirable a consummation. If the maxim were true, it might form the motto of those who seek to expand the limits of empire ; but it is as frequently in the mouths of those who seek not expansion but consolidation.

The idea itself is essentially modern. The old colonial policy was inspired by its contrary. The "mean and malignant" expedients of the mercantile system were intended to force trade to follow the flag which had it been left to itself, is precisely what it perversely would not have done. The nearest approach to the modern idea was made by Lord Brougham who declared that the restrictions of the old system were superfluous rather than burdensome ; and even he seems to have considered it the natural course that trade should follow the price list rather than the flag. The colonies had only, according to his defence, which, from a political point of view, therefore, becomes a strong indictment of the old system, been restricted to the market in which they would otherwise have bought and sold.

The unexpected commercial consequences of the emancipation of England's American colonies induced many to believe that the flag was a hindrance rather than a help to trade. "Trade," said Sir G. C. Lewis, "between England and the United States is probably far more profitable to the mother

country than it would have been if they had remained in a state of dependence on her,"¹ and it was as true as it was remarkable that the United States bought twice as much from England as the colonies had done. We should err, however, if we went on to draw the extreme conclusion the little Englanders sought to draw, viz., that it would pay to cut the painter and turn the colonies adrift. For it does not follow that the trade with the United States would not have grown to the same extent had complete self-government, as we now understand the term, been granted instead of independence. What restricted trade under the old colonial system was not the flag but the numberless superfluous regulations. And it is more than possible that, with as much commercial freedom as Canada and Australia now enjoy, the trade of the emancipated colonies with the United Kingdom, had they remained under the flag, would have been greater than it is to day. What the experience of history teaches is not that trade does not follow the flag but that the attempt to compel it to follow national lines is to a large extent destructive of the trade that would otherwise exist. The teachings of history are borne out by present experience. Those nations which continue to place restrictions on the colonial trade do not engross to themselves so large a share of the import trade of their colonies as the United Kingdom does of hers after having abandoned to the last detail the policy of restriction. Fifty-five per cent. of the imports into British colonies come from the mother country; and the proportion is 63 per cent. if we omit the Straits Settlement which does mainly a transit trade. The Dutch East Indies take but one third of their imports, Dutch Guiana about one half from Holland. Portuguese colonies take but one third and the Spanish colonies in 1896 took well under one third of their imports from their stepmother countries. France engrosses her purely colonial market to the extent of

¹ The Government of Dependencies (Mr. Lucas's Edition) page 218.

34.9 per cent. ; and even if we include, Tunis and Algiers, the French share of their colonial import trade is 61 per cent. only.¹ This result is the more remarkable in view of the fact that nations which still retain the old restrictive colonial system in whole or part find themselves compelled to make heavy expenditures to meet the costs of colonial administration. German trade with German colonies amounted to £738,000. The subsidies which the Empire paid amounted to £739,000 exceeding not only the whole profit of the colonial trade but the whole volume of that trade.² The expenditure of France on her colonies is not quite so barren of commercial results. In 1897 France exported goods to her colonies to the value of £14,330,000 while the net charge imposed on the French home treasury for the public service in French possessions was £4,500,000, one third of the total export trade and certainly in excess of any possible profit in the colonial trade.³ The imports into the colonies from France must be largely to cover administrative expenses. Réunion, for instance, imported, on the annual average 1873-1883, from France goods to the value of 8,737,244 frs. as against goods valued at 15,858,000 frs. from other countries ; and on the annual average 1887-91 9,047,000 frs. from France as against 13,724,000 frs. from other countries. But the imperial expenditure of France in the island, according to Budget of 1898, was 4,458,000 frs. practically half of the exports sent to Réunion.⁴ Even when the restrictive system is not adopted subsidies and expenses of colonial administration may account for much of the trade which the mother country does with

¹ It is not surprising that Professor Flux, from whose paper in the Journal of the Royal Statistical Society, Sept., 1899, these figures are taken, draws as his final conclusion : "The efficiency of the policy of exclusive trade privileges to the sovereign state, whether in promoting its own trade or the trade of its colonies, is not conspicuous in the records."

² *Spectator*, Nov. 25th, 1899.

³ *Journ. Stat. Soc.*, Sept., 1899.

⁴ Leroy Beaulieu : *De la Colonisation*, page 242. *Journ. Stat. Soc.* utsupra. *Statesman's Year Book*, 1898.

her colonies. The imports into the Congo Free State for instance are derived mainly from Belgium although there is no discrimination in favour of Belgian goods. Out of 16,070,370 frs. imported in 1896, Belgium sent 10,204,477 or about two thirds. But at least three million francs of the revenue of the Congo Free State was, directly or indirectly, a subsidy from the Belgian treasury.¹

In cases like these trade will follow the flag as it would follow anything else. Communities do not refuse the goods when gifts are presented or rather forced upon them; and we must make allowance in the discussion for the exports to a colony which represent merely imperial expenditure there. The trade which follows the flag must follow it both voluntarily and without the compulsion or inducement of imperial subsidies and expenditure; otherwise no conclusion of any importance can be drawn from the facts.

In short, we must confine our consideration to the trade between self-governing colonies and a mother country which leaves them free to buy where they please and makes no imperial contribution to the expenses of their administration. We must further restrict the area under consideration. The maxim can be proved or disproved only regarding self-governing communities which would be independent if they were not part of the Empire. In the case of dependencies like India, trade will follow the flag. British trade would be cut off were the British flag to be hauled down. For India, if not a dependency of Great Britain, would be under the dominion of some other European power; and because this power would apply to Indian trade the principles which rule its trade elsewhere, British trade would be reduced to the narrow limits it has at present in the trade of foreign nations and their dependencies.

Does trade follow the flag when it flies over self-governing

¹Statesman's Year Book, 1898, page 440.

colonies? The arguments advanced *pro* and *con* do not meet each other. One party declares that the colonial is a better customer, man for man, than the foreigner; and that the colonies do the greater part of their buying within the Empire. The other party replies with an *ignoratio elenchi* that the proportion of colonial trade to the total trade of the mother country is small and not growing; which may be argument against handicapping the foreign trade to benefit the colonial but can hardly be regarded as disproving the maxim. For if the colonies buy and sell all, or nearly all, they have to buy and sell, within the Empire, they can hardly be expected to do more.

The trade of the United Kingdom with her colonies when contrasted with the trade with foreign countries is so much greater as to justify many maxims like Sir Julius Vogel's. The total trade with the United States is 47s., with Germany 24s., with France 35s., per head of the population of these countries; but when we turn to colonial trade the figure suddenly mounts to 68s. per head of the population of the colonies.¹ If we confine our attention to the export trade of the United Kingdom the contrast is still more remarkable. The United States bought British goods to the amount of 13s. 10d., Germany to 3s. 4d., France 9s. 3d., per head; while Canada was a customer to the extent of £2 3s., the Cape and Australia, respectively, to the amounts of £2 16s., and £8 6s. per head of their population.² An Australian as it has been more picturesquely put is as good a customer to the United Kingdom as 16 Americans, and every Canadian is worth more to British trade than 35 Russians. The colonial is almost as good a customer of the British manufacturer as the native of the islands while the average Australian actually buys a greater value of British manufactures than that purchased by the aver-

¹ Caldecott: English Colonization, page 186.

² Schonberg's Handbuch, Vol. II, page 1075.

age Englishman. Indeed it might be said, as it has been said, "England is the only portion of the British Empire that consumes foreign goods to any extent, the colonies almost exclusively purchasing goods produced within the limits of the Empire itself."¹ Whatever justification may be found or not found for the maxim that trade follows the flag, we have here the very solid fact that a colonial consumer, from whatever cause, is worth more to the United Kingdom than six European consumers of whatever nation.

The conclusion which is immediately drawn from these figures is reached by what Mill called the method of agreement. A (Canada) buys more than B (France), C (Cape Colony) buys more than D (Holland). The only difference between A and C on the one hand, and B and D on the other, is the flag and all that the flag implies. The flag is the only circumstance which varies, therefore it is concluded that the flag is the cause of the greater trade. But the argument is not conclusive. The flag is evidently not the only circumstance which varies. Otherwise how account for the differences between different colonies under the same flag. For Canada takes British exports to the value per head of 43s. only while Australia takes nearly four times as much, 166s. per head. We cannot find the explanation by Mill's other method of concomitant variations, for the flag is the flag in Canada as it is in Australia, and the Canadian is as loyal as the Africander.

These facts cannot be denied and no attempt is made to impugn them. It is on the practical conclusion only that the disputants come within range of each other. The obvious difficulty is that there are so few of these desirable colonial customers. Whatever may be the case when the colonies have attained their growth, the number of the colonial cus-

¹ Webster : England's Colonial Granaries. Proc. Royal Colonial Institute, Vol. XIII, page 21.

tomers, however much they buy, is very small in proportion to the number of foreign customers. Twenty-five per cent. of the total British trade is with the colonies. Twenty-five per cent. of her imports come from the colonies. Twenty-eight per cent. of her exports are taken by the colonies. And when we consider the practical conclusion, this is a small percentage for which the United Kingdom is asked to penalise the remaining seventy-five per cent. of her trade. The colonies cannot do much more than they are doing. Some of them import eighty per cent. of all they import from the United Kingdom. But the bulk of the trade is small, and it is bulk and not percentage which counts towards a nation's wealth.

Moreover, the colonial trade is not growing in importance. It is difficult to see how it could when, at present, they take nearly sixty per cent. of all they buy from the United Kingdom. Colonial trade has done no more than keep pace with the other trade of the British isles. If the colonies have increased in wealth and in population, and buy two and a half times as much as they did half a century ago, at the same time new foreign markets have been opened up, and old customers among foreign nations have increased the amount of their purchases, till the foreign trade bears the same proportion to the colonial trade as it did fifty years ago. The facts were put succinctly in a despatch by Lord Ripon to Lord Jersey who was chairman of the Colonial Conference at Ottawa in 1894. In the period 1854-58 British imports were in total £830 millions of which £195 millions were colonial or 23.8 per cent. of the whole. During the five years 1889-93 the total imports were £2,112 millions of which £482 millions were colonial or 22.8 per cent. of the whole. The total exports during 1854-58 were £657 millions of which £186 millions were to colonial possessions or 28.3 per cent. of the whole; and in the period 1889-93, the total exports were £1,521 millions of which British possessions took £438 millions or

28.8 per cent. of the whole. And taking the whole trade, the colonial share in the earlier period was 25.8 per cent. and in the later period 25.3 per cent.¹

The variations within the period have been slight and there is little direct statistical confirmation of the common opinion that British colonial trade has grown faster than British foreign trade. Considering the remarkable development of the colonies during the period since 1854 (the first year of the real as distinguished from the official values of exports and imports of the United Kingdom) the steadiness of the proportions is remarkable. Lord Farrer in his pamphlet "The Neo-Protection Scheme" gives the proportion by five year periods down to 1895, the figures for 1895-98 being taken from the Annual Abstract of the Trade of the United Kingdom.

IMPORTS FROM FOREIGN COUNTRIES AND BRITISH
POSSESSIONS, 1854-1898.

| Periods. | Imports from Foreign Countries. | | Imports from British Possessions. | |
|-----------------|------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | Million £. | Per Cent. of Total Imports. | Million £. | Per Cent. of Total Imports. |
| 1854 | 118 | 77.6 | 34 | 22.4 |
| Annual Average. | | | | |
| 1855-1859 | 129 | 76.5 | 40 | 23.5 |
| 1860-1864 | 167 | 71.2 | 68 | 28.8 |
| 1865-1869 | 218 | 76.0 | 68 | 24.0 |
| 1870-1874 | 270 | 78.0 | 76 | 22.0 |
| 1875-1879 | 292 | 77.9 | 83 | 22.1 |
| 1880-1884 | 312 | 76.5 | 96 | 23.5 |
| 1885-1889 | 293 | 77.1 | 87 | 22.9 |
| 1890-1894 | 323 | 77.1 | 96 | 22.9 |
| 1895-1898 | 349 | 78.0 | 95 | 22.0 |

¹Canada Sessional Papers, No. 5B, 1894.

EXPORTS OF BRITISH PRODUCE TO FOREIGN COUNTRIES
AND BRITISH POSSESSIONS, 1854-1898.

| Periods. | Exports to Foreign Countries. | | Exports to British Possessions. | |
|-----------------|----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | Million £. | Per Cent. of Total Exports. | Million £. | Per Cent. of Total Exports. |
| 1854 | 63 | 64.9 | 34 | 35.1 |
| Annual Average. | | | | |
| 1855-1859 | 79 | 68.5 | 37 | 31.5 |
| 1860-1864 | 92 | 66.6 | 46 | 33.4 |
| 1865-1869 | 131 | 72.4 | 50 | 27.6 |
| 1870-1874 | 175 | 74.4 | 60 | 25.6 |
| 1875-1879 | 135 | 66.9 | 67 | 33.1 |
| 1880-1884 | 153 | 65.5 | 81 | 34.5 |
| 1885-1889 | 147 | 65.0 | 79 | 35.0 |
| 1890-1894 | 156 | 66.5 | 78 | 33.5 |
| 1895-1898 | 206 | 70.7 | 85 | 29.3 |

The variations within this period have been slight, the only years which depart from the general average to any extent being those between 1865-1875. The impression that colonial trade is increasing much faster than foreign trade is due to a mistake in the use of the statistics. When public attention began again, in the early eighties, to be seriously directed to colonial trade, a comparison was made of the proportions between colonial and foreign trade in 1870 and 1880. And as Mr. Webster pointed out in the paper from which we have already quoted "the value of the total exports to foreign countries and to our colonies in 1871 and in 1880 was identical; but whereas in 1871 our colonies took 23 per cent. only of the total sum they received 33 per cent. in 1880."¹ Sir

¹ Proc. Roy. Col. Inst., Vol. XIII, page 20.

Alexander Galt, speaking at Greenock,¹ Jan. 29, 1883, used the same figures to draw the same conclusion; and from that time dates the mistaken idea that colonial trade is more worth cultivating than foreign trade because it grows relatively faster.

But it may be answered there has been an increased demand in the colonies for British exports which these figures do not show. During the period there were two developments of colonial policy which had the effect of seriously restricting British exports to the colonies; and to maintain a stationary proportion shows in reality an increased demand. Imperial expenditure in the colonies was large at the beginning of the period and is now practically nil. The colonies have been forced to provide for their own defence and, with a few exceptions, imperial forces have been withdrawn from the colonies. The colonial estimates in the Imperial Budget were large and to that extent the exports to the colonies were stimulated at the beginning of the period. In the second place, during the period the self governing colonies have acquired the right of controlling their own tariffs and have exercised this right to the extent of protecting against the mother country. Many colonial theorists regret that this right was cancelled, but as Lord Farrer insists, "Freedom of Trade is only one part of Freedom and not the most important."² The concession was granted, and wisely granted, and the effect has been to restrict colonial importations from the United Kingdom. A stationary proportion is thus again equivalent to an increased demand.

But this latter consideration amounts merely for the fact that the amount of the imports has not increased faster than it has done. It does not account for the fact that the relative proportions of foreign and colonial trade remain unchanged. For foreign countries have not been behindhand

¹ Proc. Royal Col. Inst., Vol. XIV, page 407.

² The Neo-Protection Scheme, page 14.

in following the colonial example. They, too, have protective barriers against British goods, and these barriers are, on the whole, higher than the colonial barriers ; and if the argument is valid in the one case it must be valid in the other that a stationary proportion is equivalent to an increased demand. Indeed this argument would prove that the foreign demand had increased faster than the colonial demand. "The colonies," said Mr. Foster, the Finance Minister of Canada, at the Ottawa Conference, "have all protected against the mother country but none of them have protected as the foreign countries have protected against her. You can take them and make an average. You will find that the protection is far lower in the colonies of Britain against British goods, taking it on the average, than it is in foreign countries."¹

There is one qualification which must be made regarding this analysis of the trade statistics. The early figures of colonial trade represent a period before the colonies had acquired or begun to exercise their right of protection against the mother country ; while the early figures of foreign trade are for a period prior to the spread of free trade ideas on the continent of Europe. In short it may be said we are comparing two periods one free trade and one protective in the case of the colonies ; and two protectionist periods in foreign trade, one practically prior to the continual movement in the direction of free trade and one subsequent to the collapse of that movement. But except that we are thus enabled to account for the variation in the proportions of colonial and of foreign trade the qualification makes no difference in the result. The colonies fell earlier under the protectionist reaction. In 1859 Canada came into conflict with the Colonial Office over a protectionist tariff ; but in 1860 the greatest practical step towards universal free trade was made in Cobden's Commercial Treaty with France. The protectionist re-

¹Canada : Sessional Papers, No. 5B, 1894.

action was a decade later on the continent of Europe. During this decade the colonies took a less proportion of British exports than they had done, and less than they were to take when the protection virus had again infected foreign nations. When the reaction spread to foreign nations they discriminated against English goods more severely than the colonies had done.

Thus, on analysis, it appears that while the colonies admitted British goods on easy terms and foreign countries taxed them heavily the proportion of British colonial export trade as compared with her foreign export trade was above 33 per cent. During the decade in which the colonies began to discriminate, and foreigners lowered their duties, the proportion fell to 26 per cent. After the reaction set in, and the colonies which still discriminating were yet imposing lighter duties than foreign nations were doing, the earlier proportion was re-established and has since been maintained. The sole variation from the stationary condition can thus be accounted for, and we may take it as established that the colonial trade is not growing in importance relatively to British foreign export trade.

On the other hand, it is true that Imperial expenditure in the colonies has been largely diminished. And to this extent we may grant that colonial voluntary purchases have increased more than the figures show. But against this must be set the fact that in the period under investigation the colonies have been large borrowers of English capital which has been exported largely in the shape of goods.

The result of this investigation of the direct statistical evidence must be a verdict of not proven. The colonist is a better customer than a foreigner, a better customer, in some instances, than the native of the islands; but, on the other hand, the colonists take but one third of British exports and are doing no better than they did half a century ago. But it

must be remembered that the colonies in many cases are doing as well as could be expected and the most exacting could not expect them to buy more than 75 per cent. of their imports within the Empire.

The maxim that trade follows the flag is frequently used to justify not the consolidation but the further expansion of the limits over which the flag flies ; and as a means to this end and sometimes as an end in itself, to justify an increase of armaments. Countries which have no navy, and consequently no colonies, must be content with a restricted market for their exports. Nations like Belgium, Holland and Denmark admittedly do a large export trade, but this trade is confined to the markets of civilised countries where in theory at least the foreigner has the same chance before the law courts as the native. Belgium, for instance, imports largely from such countries as Roumania and Peru but her exports to these countries are small. This fact is explained by the impotence of Belgium to protect her subjects. When Denmark wishes to sell butter to such nations as these it is compelled to employ British middlemen. There is no difficulty in selling in the markets of civilised powers because there they have an assurance of equal justice. But merchants trading with semi-civilised communities have no such assurance and hence a weak nation must be content to miss the world's trade or share it only indirectly.

But this argument proves too much. Belgium and Denmark export but little to Australia which as regards civilisation could not even by the most prejudiced Anglophobe of the continent be placed in the same category with Peru. Probably Belgium exports quite a great deal to Australia but it does so indirectly ; and the cause of the roundabout trade is that the volume of exports is not considerable enough to justify direct shipment. The development of naval power is not without effect on foreign trade. No one pretends that

goods can be sold at the point of the bayonet, and the navy will serve rather to maintain than to extend trade in barbarous regions. The result of adopting this policy is less than the statistics may show it to be. A direct trade may be substituted for an indirect trade with the result of saving commissions and arbitrage ; a saving which may be very small in comparison with the expenditure in subsidies, etc., necessary to effect it. But while goods cannot be sold at the point of the bayonet, armaments may lead merchants to show greater enterprise and confidence in pushing trade in hitherto unexploited regions with a result of making the goods they have to sell better known.

On the whole Adam Smith's dictum that while each nation has managed to engross the inconveniences of a colonial empire, the advantages it has been compelled to share with the whole world, is just as true to-day as it was in the century before his time. New colonies founded to expand trade buy as largely from foreign nations as from the mother countries, while the imperial expenditures on them and in them often exceed the sum total of all their trade.

The proof of the maxim, which is hardly possible by direct induction from statistics of trade, is sometimes sought by *apriori* methods. By general concession among economists, the *apriori* methods are alone productive of results in the consideration of trade problems. The conditions of commerce are so complicated that even the most devoted admirers of the inductive methods in economic study have had recourse to *apriori* proof. The question whether trade follows the flag is ultimately a problem in the theory of foreign trade, and before a decision is made all the more important elements which enter into the equation of indebtedness should be considered. And there are difficulties peculiar to the present problem which require solution.

Why should trade follow the flag? One can understand

why it should when there is compulsion or a preference given. But when there is none? It may as well be conceded, once and for all, that the flag does not supersede the ordinary economic motives in buying and selling. The motives thus symbolised must operate through, and modify or transform, the ordinary desire to make the best bargain. There may be many exceptions to the domination of the economic motive, but it is not wise to generalise from these exceptions.

The flag may serve the purpose of advertisement, not in the way the patent medicine vendor uses it so much on the American continent, but because the officials of the government are directed, or expected, to urge those under their care or their influence to buy the products of the mother country. It is not merely because of discriminating duties that Madagascar buys more from France since the island became a French colony than it did before. French officers and civil servants are instructed to favour French merchants and to push French wares. This is more than an understanding: it is a direct and official order:

“I have also to request you to instruct the native authorities to “exert all their influence in favour of the objects at which we are “aiming [to introduce French Products]. It will be easy for them, “from the point of view now before us, to represent to persons living “under their jurisdiction, that tissues of French manufacture are as “good as similar articles manufactured abroad: that it is only fitting “that the Malagasy, who have now become French subjects, should “conform to our national customs by using our products: that their “clothing thus becomes a distinctive mark of their new position. . . “But they must bear in mind that no obstacles should be placed in “the way of the sale and circulation of foreign merchandise. Your “part, as well as that of your native subordinates, consists simply in “making clear to our new subjects the benefit to be derived from “the purchase of French products, which will henceforward be more “suitable to their habits and wants, *which have been mollified in the “last two years by the introduction of French laws and customs.* Such

“a course is absolutely within our right and no one has any right to ‘take exception to it.’”¹

And in accordance with this policy advertisements of French goods are inserted, free of cost to the advertiser, in the columns of the Malagasy journal (the Vaovao.)

This may be the French way, or part of the French way, of making trade follow the flag (and the Germans also take an eminently practical view of the uses to which government officials may be put), but it is not the way of the “nation of shopkeepers.” His Excellency the Governor General of Canada and his aides and secretaries do not carry round with them pocketsful of business circulars advising Canadians to buy Plums’ Soap in preference to Jones’s Shaving Sticks, as being “more suitable to their habits and wants, which have been modified” by two centuries of English occupation. In British possessions the sale of British goods depends on individual exertion; and the home government has done nothing to further its development. It may instruct its consular agents to advise home merchants of profitable openings; but consular activity is confined to foreign countries and even in the crown colonies government agents are not required to imitate the “illustrious Gaudissart.” Certainly the home government does nothing either in the colonies or elsewhere to induce the native born to consume English goods.

Those who put forward the answering epigram that trade follows the price list may laugh at a policy which turns the civil servant into a salaried national tout; but the policy cannot be devoid of effect. And even without such direct endeavours the flag may encourage trade. Trade follows the price list certainly, but the flag may serve to advertise the

¹ Quoted by W. Ford: *The Foreign Policy of the United States*, pp. 128-129.
The italics are by way of comment.

price list ; and there may be circumstances when traders do not care to present their price lists because of the lack of government protection to their enterprise. The modern divorce of producer and consumer has made advertisement of some kind an economic necessity ; and the fact that the goods in question, other things being the same, have been produced under the flag which the consumer reveres may give the goods that additional publicity which may be all that is needed to induce the consumer to prefer them. Commercial travellers, in their moments of candour, readily admit that in nine cases out of ten, as between rival houses of equally good standing, it is personal regard for the traveller that sells the goods. And in international trade personal or national regard may bring about the same result. Reference was made in an earlier chapter to the opinion that increased purchases of Canadian goods is Britain's *quid pro quo* for the Canadian preference ; and from this point of view the preferential tariff was simply the crowning act of the long continued policy of advertisement which the Canadian government has been carrying on with a view to capturing the British market. There was, it is true, no prejudice against Canadian goods ; but there was an apparently invincible ignorance of their merits, the effects of which were the same. For many years after Canadian cheese had captured the market, it was sold in the United Kingdom as American, simply because Canada, to the English public, was not even a geographical expression. I remember hearing on one occasion a Yankee explain that the sea voyage greatly improved the quality of cheese. American cheese had never, he assured me, tasted so good at home as it did in England. In my innocence I thought it might be that the cheese did suffer a "sea-change" ; and I took occasion later to mention the fact to a British produce broker. He laughed and said the explanation was much simpler.. "All the American

cheese your Yankee friend tasted on this side was made in Canada." But while the brokers knew it the consumers did not then. This ignorance of the merits of Canadian produce was in part dispelled by the act of Canada in 1897; and the flag, and the sentiment it arouses, while it might not induce the English consumer to pay more for an inferior article may induce him to look first at the Canadian price list.

If by the maxim trade follows the flag it must be understood that people will prefer poor and dear goods to cheaper and better goods simply because the former were manufactured under the flag, few would be found to defend it. Sentiment undoubtedly has a strong influence on trade and patriotism is one kind of sentiment. But its influence is not exerted in this simple way. Its effect is more indirect. It may alter the estimates which people place on goods. Prejudice and custom may so modify a man's tastes and inclinations that he prefers goods made under the flag. But this is because goods made under the flag are in themselves different goods from apparently similar articles made elsewhere. They are different because they satisfy a distinct want.

How far human wants are thus modified it is impossible to say. It is almost certain that when there is a distinct economic understanding human wants are not so modified. The slight measure of success which has attended the efforts of national societies to encourage consumers to use home productions shows how little, even in retail buying, sentiment has to do with human wants. Under ordinary circumstances national sentiment counts for little in the buying of the retailer, and consequently for less in his selling. The unexpected effects of the law regarding the branding of goods "made in Germany" and elsewhere has furnished the standard modern illustration of the incapacity of a legislature to protect trade interests. Under ordinary trade conditions the

branding served as an unintentional advertisement which probably had the effect of increasing sales. But in circumstances out of the ordinary the effect may be different. During the crisis produced by Emperor William's telegram to President Kruger, goods marked "made in Germany" were in many places practically unsaleable. It is true that the trade reports do not show much evidence of a falling off in the demand; but the crisis was short and traders accommodated themselves to the conditions by obliterating the marks. Had the crisis lasted longer, the result might have been different. For the trader so long as he has a stock in hand cannot afford to be patriotic, although he may place his future orders as the patriotic sentiment of his customers demanded.

But under ordinary circumstances the patriotic motive pure and simple does not materially alter economic conduct.¹ In fact, in some instances, there is a positive prejudice in favour of foreign made goods, a prejudice which is fostered rather than discouraged by a protective tariff. In the wealthy centres of population, shopkeepers make a point of advertising their stock of English goods for instance, as one may see in Berlin and in New York. Under ordinary circumstances, however, we may take it for granted that people will buy the goods which suit them at the lowest price avail-

¹ Patriotic sentiment, however weak in the individual consumer, may influence the direction of a government's expenditure. The Hon. Mr. Playford, the South Australian representative at the Ottawa Conference, declared that his government felt bound to help other parts of the Empire, even at a loss to themselves "As Minister of Public Works, I have shown my practical sympathy to Great Britain in the case when Belgian manufacturers offered to supply us with a considerable quantity of rails at a lower price than Great Britain. I recommended my colleagues to give the contract to Great Britain and pay the higher price in preference to giving it to Belgium."—Canada: Sess. Pap. No 5B, 1894. But this patriotic and uneconomical action was exceptional, for in the same speech he showed why his government bought locomotives from Messrs. Krupp. It must, moreover, be remembered that a government is expected to act as no individual citizen would act in the same circumstances. However, in spite of exceptions, governments wisely, in the interest of the general taxpayer, buy at the best bargain, irrespective of the country of origin.

able, and that those goods will be pressed on their attention which offer the trader the greatest chances of profit. And if trade follows the flag it must be because the flag has the effect of changing human wants or increasing the chances of profit.

That it has, or seems to have, this effect is undoubtedly. The flag represents a very important element in modern commerce. It gives confidence, and thus encourages investment. Capital has flowed more freely, and with smaller inducement in the shape of interest, to British colonies than to foreign countries, whose circumstances are similar. The British investor is more certain that his rights will be respected in a British colony under an implied, or assumed, Imperial guarantee of equal rights. British capital could not have been discriminated against to the same extent in Quebec as it has been in the Transvaal; and less capital might have gone to the Transvaal had there not been some assurance that the Imperial government would see justice done to the British investor. Were it possible to determine how much capital is exported from the United Kingdom, it might be made to appear that trade follows the investment, and without doubt the flag influences the investment.¹

But that is not all. The flag as a trade factor stands for more than trade confidence. It means also a freer outlet for surplus labour. And every emigrant, besides relieving an overstocked labour market at home, helps to create and maintain a demand for goods abroad. It matters not where he goes, his prejudices and habits go with him; and he demands in his new home the goods he was accustomed to use in his old; and, if as often happens, he improves his economic position by the change, he may demand more of them. It is possible that he may not be able to satisfy his desire by obtaining the goods he has been

accustomed to use. The goods may not be sold in that market, and his demand may be too feeble to call out the supply. But each emigrant is at least one unit towards creating that intensity of demand. He will not certainly pay more for home goods than for native or foreign made goods if the goods are the same. But the point is, that the goods are not the same, in fact, whatever they be in name. Each emigrant, to the measure of his influence, not only asks for what he has consumed at home; but forms, so to speak, a centre which radiates prejudices in favour of the goods of the home country.

So long as his character remains unchanged and he has not been perfectly assimilated by the new community, so long will continue his demand for the home goods. If he is obstinate in his prejudices, it may last a lifetime. If he is easily adaptable, the preference may vanish in a few years. If he stands alone in the new country, his demand may never be really effective; but if he goes to swell the number of fellow exiles, his demand will swell an existing demand. While his prejudices remain, the home goods are the goods which suit him, not on sentimental grounds but on the solid grounds of convenience.

On a point like this an emigrant may speak with some authority. The adult immigrant brings with him habits and customs which are not the same as the habits and customs of the native born; and he generally brings with him, too, a disposition to exalt everything that belongs to his old home from its climate to its manner of speech. If he can possibly afford it, after the first novelty has worn off, he will use nothing he has not used at home. He will act as he acted there, clothe himself as he was clad there, and generally conduct himself as if his conditions had not changed. If he cannot obtain through the ordinary course of retail trade the articles he has been accustomed to use, he will try to make

use of what business connections he retains with his mother country; and when the advantage he thus secures is not peculiar to one in his position, he may be the means of increasing the export trade of his old home. For in many cases trade follows the old channels rather than the profitable channels. Canadians as a rule are content to pay the enhanced American prices for books and calculate on the basis of thirty-five cents. to the shilling. An open demonstration that English books can be landed in Canada, duty and postage paid, at an average rate of twenty-two or twenty-three cents. to the shilling, has in many places helped to create a demand for purely English books. To take another instance, the writer found it impossible to buy Indian tea at his new home. Chinese tea, which then held the American market, was more or less unpalatable; and he was forced to order directly from England. But now it is possible to buy Indian tea in every grocery store, and there is now no need to order except through the local retailer.

In time, the immigrant comes to allow the storekeeper to do his ordering for him. Naturally and gradually he accommodates himself to the customs of his new home; and in the same way awakens to the fact that the world is not bounded by Brighton Beach. His demands for the old goods becomes first indirect and then it begins to weaken. He finds, for instance, that English-made overcoats are not the best for a Canadian winter, and, above all, that the irksomeness of passing goods through the customs does not become less with use. But though the intensity of his demand decreases, it continues in part to the end of his life.

It is possible, and perhaps probable, that the demand he represents gains in extent as it loses in intensity. But that depends on the kind of man he is, the kind of position he fills in the community, and the attitude he takes to the native born. He will seldom be able to transmit his solid preference

to his children. They will carry on their father's demand only in so far as he has been able to modify the environment in which they live. They may retain a sentimental preference; but the goods which really suit them are those produced in their native country. The habits and the business methods of the second generation are the habits and the business methods of the country. It is, of course, possible that a continuous influx of settlers may keep the business methods, as well as the habits and customs, of the colony the same as those of the mother-land, especially when no other example is kept steadily before them; and this may be part of the reason why Australia buys more from the mother country than Canada does. To a large and increasing extent, in matters of trade, Canadians are Americans. Canadian business methods are American rather than English, and when Canadian and Englishman trade there is apt to arise a certain irritation due to difference of business methods. American firms make no difficulty about sending goods on approval or even on credit into Canada. English firms, in the absence of references, require cash with order; and at the moment of writing a first-class London furnishing house has had the writer's cash with order for twelve months and the goods are still undelivered.¹

If one wished to enter into a competition in epigram it would be possible to contend that trade follows the citizen instead of the flag. And it follows him to the ends of the earth, no matter under what flag he may range himself. The German carries with him his German tastes and customs, and the delicatessen shop is as common in New York as in Berlin. The French in Mauritius continue to buy largely from France and the English in the United States are among the best customers for English manufacturers.

¹This greater rigour is probably in part the cause of the fact that Canada imports nearly four times as much by parcel post from the United States as from England.

The Dutch at the Cape and the French in Canada are exceptions to the rule; but they are exceptions only because the simplicity of their tastes and their poverty prevent them from being consumers of the characteristic exports of the far distant and separated mother countries. French colonies which have long been French buy more largely of French goods than the newer acquisitions; and the reason is that there is no such body of resident Frenchmen in Cochin China as in the island of Réunion. German trade with German colonies may be small; but German exports to Germans under foreign flags represent a large amount of trade. There has been a great deal of emigration from Germany to Southern Brazil and the La Plate Republics; and as a consequence the trade of Southern Brazil is almost entirely in German hands.¹ But it is in German hands not so much because of the special aptitude of Germans for commerce but because the 250,000 settlers "welche durchweg ihre Nationalität bewahrt haben" have retained their German tastes, unmodified by the social environment of the lower races surrounding them, and modified only the differences of the physical environment.

The conditions of trade are complicated, and it might be expected that this relation could not be demonstrated with statistical exactness. We have to take into account not only the industrial relations of the two countries and the movement of capital between them; but we must also consider the effects of hostile tariffs, of the nearness of other markets, and the modification of demand which arises from the proximity of other influences than those of the mother country. An Englishman in Canada is dwarfed by the proximity of the United States as an Englishman in Australia need not be. We must also consider how demand is affected by the volume of existing sentiment in favour of the goods of the mother

¹Schonberg's *Handbuch*, II, page 1105.

country. The English emigrant who goes to the United States reinforces a larger demand for English goods than the Englishman who goes to Canada. For there are six or seven times as many people of British birth in the United States as there are in Canada. Again, the wealth of the community has much to do with the goods it imports. The character of the exports from the United Kingdom to other civilised communities is in the main that of highly manufactured articles of comfort and luxury. The necessities of life and industry each nation and people supplies from its own resources or else imports them from less advanced nations. Therefore, a wealthy community will be likely to make an intenser demand for English goods. The French Canadian has few wants which it is possible for him to supply from France, because the characteristic exports of France do not come within his means. But the French colony in British Mauritius, though even more completely isolated by distance from the mother France, does make a large demand because it can afford to buy largely of French goods to suit the tastes of the local French oligarchy.

In spite of the sentimental inclination which French Canada has for France, there is but little in common between the French Canadian and the French. Canada may establish commercial treaties with France; but she imports but little from France, barely half of what she takes from Germany. The relative volumes of imports from France and from Germany are as follows:—

| | 1875. | | 1885. | | 1895. | |
|---------|------------------------|-------|------------------------|-------|------------------------|-------|
| | % of total Imports. | | % of total Imports. | | % of total Imports. | |
| France | \$1,941,298. | 1·68. | \$1,935,581. | 1·88. | \$2,585,174. | 2·46. |
| Germany | 748,423. | 0·63. | 2,121,269. | 2·07. | 4,794,159. | 4·56. |

Mauritius buys largely from France, although France is not to

any extent a purchaser of Mauritius products. Goods were imported in 1890 to the value of Rs.2,450,789 from France; or about one-seventh of a total importation of Rs.16,702,818. The imports from France were made up chiefly of Boots and Shoes, Dry Goods, Wines and Manures. It is possible that a portion of this volume of imports is re-exported to the island of Réunion, which is, as Leroy Beaulieu says (De la Colonisation, &c., p. 242), *en quelle sorte dépendante de Maurice pour son commerce*. Réunion takes about one-third of its imports from France, 1873-1882, annual average from France, 8,737,244 frs., and from foreign countries 15,858,000 frs. France reserves a preference for her own trade and besides expends about £170,000 per annum in the service of the island. It is perhaps both an effect and a cause of the large importations into Mauritius from France that the British colony is mainly dependent for her commerce on French steamship lines.

But notwithstanding the number of conditions which have to be taken into account, it is astonishing how closely the figures of trade correspond to the maxim that trade follows the citizen. When we compare the imports of British produce into New Zealand, Australia, Canada and the United States with the percentage of the British born inhabitants of these countries we find a considerable degree of correspondence, as the following table shows. The figures are for the last census year:—

| | New Zealand. | Australia. | Canada. | U. States. |
|----------------------|--------------|--------------------------|---------------|---------------|
| Total Imports ... | £6,260,000 | £33,555,000 ¹ | \$119,967,000 | \$844,196,000 |
| Imports of British | | | | |
| Produce ... | 4,221,000 | 23,934,000 | 42,048,000 | 194,723,000 |
| Per cent. of British | | | | |
| to Total ... | 66 | 71 | 35 | 23 |
| Total Population | 2,151,000 | 3,179,000 | 4,829,000 | 66,622,000 |
| British Born | | | | |
| Population ... | 626,000 | — | 475,000 | 2,772,000 |
| Per cent. of Total | 30 | 27 ² | 9 | 4 |

¹ Exclusive of Imports from other Australian colonies.

² Partly estimated.

The correspondence is not only close but it is easy to make allowance for disturbing causes. New Zealand is, to a certain extent, economically dependent on Australia. She imports 17 per cent. of her total imports from Australia, while Australia derives but 5 per cent. of her imports from New Zealand. The disturbing influence of the proximity of Australia in the percentages is obvious. And in the case of Canada, the same explanation is available to account for the fact that Canada takes less in proportion than the United States does. If further explanation of this difference between Canada and the United States is sought it may be found in the greater wealth of the United States. British goods exported to Canada and to the United States are to a large extent expensive manufactured goods, textiles in large degree.

But if it were possible to consider each country separately, at its different census periods, we might eliminate most of the causes of variation from the normal. Canada's position relatively to the United States and the United Kingdom changes but slowly, as manners and customs change and the means of communication are developed. The only changes of importance from decade to decade are tariff changes, and for these we can allow. Owing to the dearth of statistical information at hand it has been impossible for me to work out this idea with regard to Australia and New Zealand. But the instances of Canada and the United States will serve to illustrate further the maxim that trade follows the citizen. Changes in the percentage of British born citizens are reflected in changes in the imports of British produce. The average tariff rate in Canada in the various census years is appended as given in Maclean's Tariff History of Canada,

p. 47:—

| | Imports of British Produce. | Imports of B.P. per head. | Total Population. | British born Population. | Prop. of British born. | Average rate of Tariff. |
|------|-----------------------------------|---------------------------------|----------------------|--------------------------------|------------------------------|-------------------------------|
| 1861 | \$20,386,000 | \$8.10 | 2,507,000 | 334,000 | 13.30 | 20 |
| 1871 | 49,286,000 | 14.13 | 3,485,000 | 485,000 | 13.91 | 19.7 |
| 1881 | 42,583,000 | 10.77 | 4,324,000 | 470,000 | 10.87 | 24.5 |
| 1891 | 42,047,000 | 8.80 | 4,833,000 | 475,000 | 9.87 | 31.4 |

¹ Ontario and Quebec only.

The variations from the normal are but slight and no greater than may be fairly accounted for by the changes in the tariff. On the basis of the figures of 1871, the importation of British produce into Canada should have been in 1881 \$10.90 instead of the \$10.77 per head which stands in the table. But, in the meantime, the tariff had risen from 19 to 24 per cent. Similarly in 1891 Canada should have taken \$10.00 per head instead of merely 8.80; but in the twenty years the tariff had risen from 19.7 per cent. to 31.4 per cent.

When we take the corresponding figures for the United States we get practically the same result:—

| | Imports of B. P. per British head of Produce. total Pop. | Total Population. | British born Population. | Prop. of Brit. born to Total. | Average Tariff. ¹ |
|------|--|----------------------|--------------------------------|-------------------------------------|---------------------------------|
| 1860 | £22,000,000... \$3.50 | 31,443,321 | 2,199,079 | 6.9 | 19.67 |
| 1870 | 28,335,000... 3.60 | 38,558,571 | 2,626,241 | 6.2 | 47.16 |
| 1880 | 30,885,000... 3.00 | 50,155,783 | 2,772,169 | 5.5 | 43.15 |
| 1890 | 32,068,000... 2.50 | 66,622,250 | 3,122,911 | 4.8 | 44.4 |

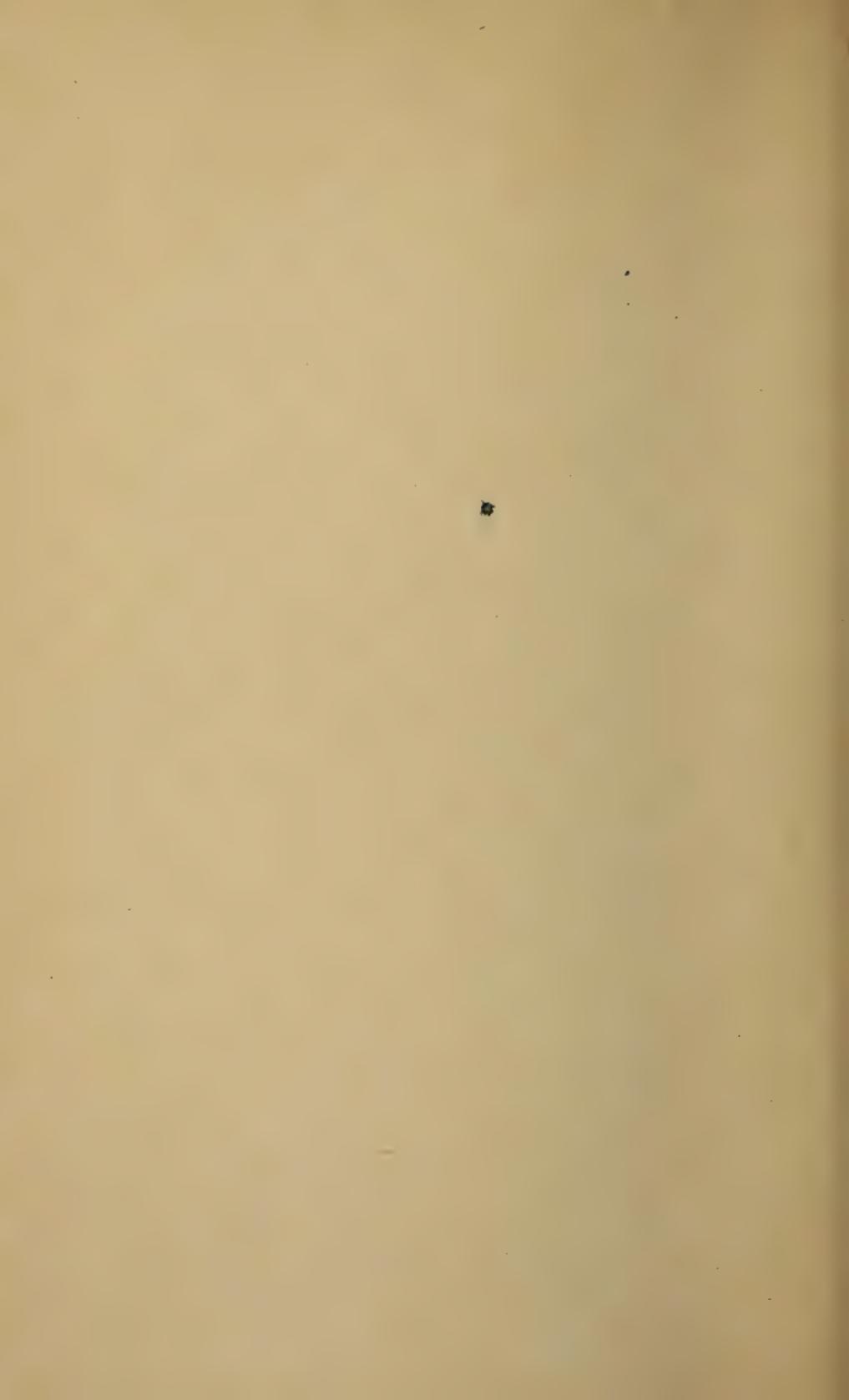
In this case, as might have been expected from the growing wealth of the country and the steadily growing influence of English ideas, the imports of British produce increase faster than the number of British born population. If the consumption had been in strict conformity to the dictum that trade follows the citizen we should have found that the per capita consumption, on the basis of the figures of 1860, in 1870 would have been \$3.1 per head instead of \$3.6: in 1880 \$2.8 per head instead of \$3.0; and in 1890 \$2.4 instead of \$2.5. But the variation is slight, although the increase in the tariff undoubtedly restricted importation and made the consumption of British produce per head of the population less than it would otherwise have been. The variation is in the direction one would have expected in a rich country with a growing nucleus of British born citizens.

¹ Taussig: *The Tariff History of the United States*. Appendix, Table I.

It may seem little creditable to the English born Canadian that he takes but \$10 worth of English goods while the emigrant to the United States takes £10 worth. But the difference is in part due to a difference in the relative wealth of Canada and the United States, and in part to the fact that the absolute, as distinguished from the relative amount of British prejudice and custom and taste as embodied in British born citizens, is much greater in the United States than in Canada. The difference, moreover, will not justify us in regarding it as a matter of congratulation that the British emigrant seeks the United States rather than Canada; for it is to be hoped that we all have got beyond the notion that the sole object of a colonial system is to raise up a nation of customers.

In conclusion, it may be said that trade follows the flag if the flag may be extended to cover both the capital and the labour which emigrate. Labour does not seem to follow the flag. It rather follows prosperity. Capital is more inclined to keep within national boundaries; and the greater mobility of capital in the direction of the colonies gives the maxim trade follows the flag whatever support it has in the facts.

THE END.



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